

STATUS & INSIGHT

KOREAN FILM INDUSTRY 2016



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I. OVERVIEW

STATUS & INSIGHT KOREAN FILM INDUSTRY 2016



I. Overview

In 2016, the Korean film industry had a direct turnover of KRW 2.27 trillion, increasing by 7.6% from the previous year to exceed KRW 2 trillion for the third consecutive year. The box office in 2016 showed a slight increase (1.6%) from the previous year at KRW 1.74 trillion, but the number of viewers decreased by 0.1% to 217.03 million viewers. The average cinema admissions per capita reached 4.2, one of the highest ratios in the world.¹⁾

The revenue from the digital online market increased by 23.2% from the previous year to KRW 412.5 billion, led by the 28.3% increase of IPTV and digital cable TV revenue and a 16.7% increase in the internet VOD market.

Overseas revenue reached KRW 117.3 million, showing the greatest rise in the last 10 years with an increase of 82.1% over 2015. It was a result produced from the export of <Train To Busan> as well as the revenue increase in service exports and location shoots of foreign films.

<Table 1> Key statistics of Korean film industry, 2007-2016

Year		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Admissions (10,000)	Total Admissions	15,878	15,083	15,696	14,918	15,972	19,489	21,335	21,506	21,729	21,702
	% change	3.5%	-5.0%	4.1%	-5.0%	7.1%	22.0%	9.5%	0.8%	1.0%	-0.1%
	Korean Films	7,939	6,355	7,641	6,940	8,287	11,461	12,729	10,770	11,293	11,655
	% change	-18.9%	-20.0%	20.2%	-9.2%	19.4%	38.3%	11.1%	-15.4%	4.9%	3.2%
	Market Share	50.0%	42.1%	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%	52.0%	53.7%
	Foreign Films	7,939	8,728	8,055	7,978	7,685	8,028	8,606	10,736	10,436	10,047
	% change	43.0%	9.9%	-7.7%	-1.0%	-3.7%	4.5%	7.2%	24.8%	-2.8%	-3.7%
	Market Share	50.0%	57.9%	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%	48.0%	46.3%
No. of Films	Korean Films	112	108	118	140	150	175	183	217	232	302
	Foreign Films	281	272	243	286	289	456	722	878	944	1,218
No of screens nationwide		1,975	2,004	2,055	2,003	1,974	2,081	2,184	2,281	2,424	2,575
No of theaters nationwide		314	309	305	301	292	314	333	356	388	417
Admissions per capita		3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.20
Return of Investment on Korean Films		-40.5%	-43.5%	-13.1%	-11.0%	-14.7%	13.3%	14.1%	6.5%	3.4%	8.8% (13.8%)
Film Industry Revenue (KRW 100 mil)	Ticket Sales	9,918	9,794	10,941	11,684	12,358	14,551	15,513	16,641	17,154	17,432
	Additional Markets	2,750	2,224	888	1,109	1,709	2,158	2,676	2,971	3,349	4,125
	Overseas exports (KRW 100 mil)	267	230	155	462	382	414	651	664	628	1,173
	(USD 10,000)*	2,440	2,104	1,412	4,222	3,487	3,782	5,946	6,308	5,550	10,109
	Total	12,935	12,248	11,984	13,255	14,449	17,123	18,840	20,276	21,131	22,730

※ Conversion rate of KRW for overseas export is set at USD 1 = KRW 1,160.4 [Average Market Rate of 2016]

1. According to IHS, a global industrial research institute, average annual cinema admissions per capita in 2016 were 4.22 in Iceland, 3.93 in Singapore, 3.65 in Australia, 3.65 in Hong Kong, and 3.64 in the United States.

• Stabilizing large budget & wide release commercial films vs. medium & low budget films with aggravating difficulties in production & distribution

The returns on investment for Korean commercial films have been maintaining a positive trend since 2012. The investment profitability of commercial films in 2016 was 8.8%, and the profitability of ‘core commercial films’ was 13.8%. At this point, it seems safe to note that investment returns for large budget & wide release films, where major distributors oversee production, funding and distribution, have reached a ‘stable stage.’ Thus, increasing cases of direct investment to Korean major distributors by institutional investors are being witnessed, and Hollywood distributors have started their full-fledged investments in Korean films.

Meanwhile, medium & low budget films showed very low profitability, just as they did in 2015. Moreover, the number of films with net production costs of KRW 3~5 billion have decreased dramatically from the previous year. Major distributors are reducing their involvement in medium & low budget films, and medium-size distributors were less active except for Megabox Inc. Plus M. This situation is making investment associations, which is the main source of production costs for Korean films, more conservative in their investments in medium & low budget films.

Up until now, medium & low budget films has been the basis of Korean cinema’s diversity and innovation as they did not have to suit the taste of millions of people. Since the production of medium & low budget film can no longer be maintained in the market, it has become an important issue for public support policy.

• Saturation of theater market, entering a low-growth period

Total viewers for 2016 were recorded at 217,024,355, a

decrease of 0.1% from 2015. While it is a marginal decrease, it is notable that this is the first decrease since 2010. Considering the average cinema admissions per capita is 4.20²⁾ and the 5-year average is 4.12, one of the highest in the world, it is safe to say that the Korean theater market has reached saturation, entering a low-growth period. Theaters are trying to raise their revenue by increasing the price of tickets through measures such as a seat grading system and management of high value theaters (3D, IMAX, etc.).

• The online market surpasses KRW 400 billion in revenue

The online market has overcome its sluggish growth and showed an increase of 23.2% from 2015 to record over KRW 400 billion in revenue. The growth of SVOD (Subscription Video On Demand), also known as monthly subscription products, could be seen as one of the causes. Starting in 2015, introduction of new monthly subscription products by IPTV and digital cable TV providers has increased, foreign OTT³⁾ services such as Netflix and Amazon Prime were introduced, and domestic services such as Watcha Play and Oksusu joined in, increasing the share of SVOD revenue in the online market. With the continuing growth of subscribers for monthly subscription products, the growth of the SVOD market will continue for a while. Revenue from web storage services is decreasing, but services such as Naver and Pooq have succeeded to secure their position, leading the growth of internet VOD. Also, mobile movie products by network providers are continuing their expansion.

However, in the growing SVOD market, films have to compete with TV shows and dramas, and start to examine how they can adapt to the new device environment. Furthermore, BONG Joon-ho’s <Okja>, set to be released in 2017, is an original production made directly by Netflix which is expected to increase the influence

2. 4.22 in 2015, 4.19 in 2014, 4.17 in 2013, and 3.38 in 2012
3. Short for ‘Over The Top,’ refers to services such as Netflix which provides contents over the internet.

of foreign OTT services, taking the online market through various changes in 2017.

• Struggling Korean independent-art films

While the supply of funds for the production and distribution of commercial films is getting better, difficulties in production and distribution of Korean independent-art films with unclear profit structures showed no improvements in 2016. Box office results confirm these difficulties; while the admissions share of Korean films among total admissions in 2016 was 53.7%, the admissions share of independent Korean films was a mere 21.1%, and while four Korean films placed in the top 5 box office films, no Korean film was ranked in the top 5 independent-art films. Documentary <Moo-hyun, the Story of Two Cities> was ranked in sixth place and <One Way Trip> was ranked in seventh place, barely showing the presence of Korean films. While the musical film <Sing Street> was ranked in first place with 560,000 viewers, it is notable that various genres of foreign films made the chart including animation, queer, action and melodrama.

Upon the opening of the Korean film market in the late 1980s, the market share of Korean films once fell down to 15.9% in 1993. However, after recording 50.1% in 2001, it maintained the share of over 50%, except for 3 years during 2008~2010 when it fell down to 40% range due to the recession of Korean films. Such results would not have been possible without the whole-hearted support of the government. Besides, other cultural industry sectors in Korea as well as other countries refer to the Korean government's support for the film industry as an exemplary case. At this point, where the goal of 'cultivating the film industry' has been achieved, the focus of film policies by the government and the Korean Film Council should be on the vitalization of independent-art films.

• Growth of exports⁴⁾

In 2016, total exports for the Korean film industry amounted to USD 111 million, an 82.1% increase from the previous year. The total amount of exports for Korean films was USD 43,893,537, an increase of 49.4% from 2015, and the exports for Korean film services totaled USD 57,196,600, achieving the highest amount since 2011 when the collection of such data began.

Thanks to great reviews at the Cannes Film Festival, <Train To Busan> led the increase of the exports tally by being sold to a total of 156 countries including in North America, Europe, South America, and all areas of Asia along with Japan and China. In addition, films by directors who have established their brand overseas such as PARK Chan-wook and NA Hong-jin, also showed their strength.

For the increase of exports for Korean film services, VFX companies landing contracts for Chinese blockbusters and location shooting of foreign films have played a major role. Especially, technical service sectors (VFX, 3D, sound, special effects, etc.) recorded USD 38.6 million, almost doubling from the previous year. In 2016, location shooting of original contents for online platforms such as <Okja> and <Sense8: Season 2> were actively pursued. A total of 41 films performed location shooting in Korea in 2016, an increase of 64% from the 25 films in 2015.

• 'Women,' rising keyword in Korean film industry

In conjunction with 'feminism,' which was one of the most talked about subjects in Korean society in 2016, 'woman's films' garnered attention in the film industry. Films such as <Familyhood>, <The Handmaiden> and <The Last Princess> achieved commercial success with female protagonists, and films by female directors such

as <The World of Us> and <The Truth Beneath> received great reviews from critics. While some praise the arrival of epics featuring women as leads in the Korean film industry which was previously dominated by epics centered on men as a meaningful result, their limitations are also being pointed out. <The Last Princess> was the only film with a female protagonist to place in the top 10 Korean box office hits, and among 24 Korean films to record over one million viewers, 6⁵⁾ films featured female protagonists and 2⁶⁾ films were by female directors, showing the limited ground for female film professionals.

However, 'women' in the industry created more buzz than ever, and the activity of female creators was remarkable. In a way, it proves that audiences are thirsty for new subjects, and it is about time for Korean epics, having previously lacked diversity, to cover more diverse protagonists and stories with fresh new perspectives. Also, as discussions regarding sexual violence within the film industry surface, the industry's vulnerable environment for sexual discrimination has continued to be questioned. Taking advantage of these changes as an opportunity, the film industry should continue to evaluate ways to introduce stories about the socially marginalized as well as women.

• Proposal of amendments for the Promotion of the Motion Pictures and Video Products Act

Of five amendments proposed for the Promotion of the Motion Pictures and Video Products Act (henceforth 'the Act') in 2016, two⁷⁾ of them proposed in October caught the attention of the film industry, since these amendments included legal prohibitions of so-called 'vertical integration' which has long been debated. In addition, the amendments also deal with long-standing issues regarding unfair trade, with solutions such as restrictions on screen monopoly in multiplexes and mandatory allocations of more than one exclusive screen for independent-art films in multiplexes of a certain size. Since these amendments directly limit the business of the stakeholders, a heated debate within the film industry is expected during the legislation process. While the legislation of these amendments will hardly satisfy each and every stakeholder, the debate related to these amendments is meaningful as it could provide an opportunity for the film creation and competition environment to leap one step ahead, acting as a place for in-depth discussions on structural problems within the Korean film industry.

4. Exports consist of the following: 1. Export of finished films; 2. Export of services (including location shooting of foreign films).

5. A total of 6 films including <The Last Princess>, <The Handmaiden>, <Spirits' Homecoming>, <Familyhood>, <Missing>, and <Insane>

6. A total of 2 films including <Missing> (Director E.O.ni) and <Will You Be There?> (HONG Ji-yeong)

7. Partial Amendment for the Motion Pictures and Video Products Act (DO Jong-hwan and 10 others, bill number 2003081) and Partial Amendment for the Motion Pictures and Video Products Act (AHN Cheol-soo and 14 others, bill number 2003083)

II. MAINTOPICS

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II. Main Topics

A. Box Office

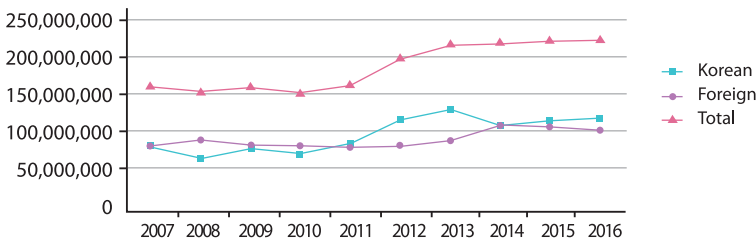
1) Admission and Sales Revenue

217.02 million tickets were sold in 2016, representing a 0.1% decrease from the number of admissions in 2015. The number of admissions exhibited a rising trend from 2011 to 2015, but turned to a slight decrease in 2016. Korean film admissions were 116.55 million, an increase of 3.2% from the previous year, exceeding 100 million viewers for the fifth consecutive year since 2012. The share of Korean films in total admissions increased by 1.7 percentage points to 53.7%, dominating over foreign films for the sixth consecutive year since 2011. Foreign films admissions decreased by 3.7% to 100.47 million, exhibiting a downturn for the second year in a row. The share of foreign films in total admissions also decreased by 1.7 percentage points to 46.3%.

Annual admissions per capita were 4.20. According to global industrial research institute IHS, average annual cinema admissions per capita in 2016 was 4.22 in Iceland, 3.93 in Singapore, 3.65 in Australia and Hong Kong, and 3.64 in U.S., showing Korea maintains one of the highest levels of average annual cinema attendance per capita in the world.

Annual theater admissions in the 17 regions across the country show that Seoul had the highest number of admissions with 58.58 million or 27% of nationwide admissions. It was followed by Gyeonggi-do with 49.7 million and Busan came in third with 16.46 million. Meanwhile, Seoul ranked top in regional admissions

<Figure 1> Admission trends of Korean and foreign films in 2007-2016



per capita with 5.9 annual visits. Gwangju was next with 5.4 visits ranking second.

The average ticket price in 2016 rose by 1.7% from the previous year to KRW 8,032, which is the highest in history. The average ticket price entered the 7,000 won range in 2010. Together with the ticket price increase in 2009, the release of <Avatar> in December, 2009 brought a 3D craze which increased the number of films released in 3D or 4D with higher ticket prices, resulting in a rise of the average ticket price. Consequently, the average ticket price in 2010 was KRW 7,834,

a steep increase of 12.4% from the previous year. After 2011, due to the lack of competitive 3D contents and the burden from high ticket prices, the excitement for 3D movies slowly subsided, lowering the average ticket price. In 2014, the average ticket price started to rise again due to the price differentiation policy imposed on theaters, increasing the price for prime time tickets and lowering it in the morning and day times, and in 2016, with the implementation of price differentiation policy by seat class and time, the average ticket price entered the 8,000 won range for the first time in history.

<Table 2> Admissions, market shares, admissions per capita for Korean and foreign films, 2007-2016

Year		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ticket Sales (100 mil)	Total	9,918	9,794	10,941	11,684	12,358	14,551	15,513	16,641	17,154	17,432
	% change	7.1%	-1.3%	11.7%	6.8%	5.8%	17.8%	6.6%	7.3%	3.1%	1.6%
	Korean Films	4,940	4,126	5,318	5,125	6,137	8,361	9,099	8,206	8,796	9,279
	% change	-16.5%	-16.5	28.9%	-3.6%	19.8%	36.2%	8.8%	-9.8%	7.2%	5.5%
	Foreign Films	4,978	5,668	5,623	6,559	6,221	6,190	6,414	8,435	8,358	8,153
	% change	49.0%	13.9%	-0.8%	16.7%	-5.1%	-0.5%	3.6%	31.5%	-0.9%	-2.5%
Admissions (10,000)	Total Admissions	15,878	15,083	15,696	14,918	15,972	19,489	21,335	21,506	21,729	21,702
	% change	3.5%	-5.0%	4.1%	-5.0%	7.1%	22.0%	9.5%	0.8%	1.0%	-0.1%
	Korean Films	7,939	6,355	7,641	6,940	8,287	11,461	12,729	10,770	11,293	11,655
	% change	-18.9%	-20.0%	20.2%	-9.2%	19.4%	38.3%	11.1%	-15.4%	4.9%	3.2%
	Market Share	50.0%	42.1%	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%	52.0%	53.7%
	Foreign film	7,939	8,728	8,055	7,978	7,685	8,028	8,606	10,736	10,436	10,047
	% change	43.0%	9.9%	-7.7%	-1.0%	-3.7%	4.5%	7.2%	24.8%	-2.8%	-3.7%
	Market Share	50.0%	57.9%	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%	48.0%	46.3%
Admissions per capita		3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.20

<Table 3> Admissions, box office, admissions per capita by area, 2016

Area	Admissions	Admissions percentage	Box office (KRW)	Market Share	Average Ticket Price (KRW)	Population	Admissions per capita
Seoul	58,576,722	27.0%	490,442,587,726	28.1%	8,373	9,930,616	5.90
Gyeonggi-do	49,701,296	22.9%	402,263,728,896	23.1%	8,094	12,716,780	3.91
Busan	16,460,012	7.6%	131,664,156,874	7.6%	7,999	3,498,529	4.70
Daegu	11,959,500	5.5%	96,536,233,450	5.5%	8,072	2,484,557	4.81
Gyeongsangnam-do	11,168,010	5.1%	86,384,950,496	5.0%	7,735	3,373,871	3.31
Incheon	10,905,633	5.0%	87,514,372,649	5.0%	8,025	2,943,069	3.71
Gwangju	7,940,539	3.7%	59,940,246,850	3.4%	7,549	1,469,214	5.40
Daejeon	7,653,164	3.5%	61,623,580,099	3.5%	8,052	1,514,370	5.05
Jeollabuk-do	6,713,481	3.1%	50,865,467,880	2.9%	7,577	1,864,791	3.60
Gyeongsangbuk-do	6,360,820	2.9%	49,647,676,400	2.8%	7,805	2,700,398	2.36
Chungcheongnam-do	6,927,338	3.2%	53,344,519,400	3.1%	7,701	2,096,727	3.30
Chungcheongbuk-do	5,657,374	2.6%	43,429,575,750	2.5%	7,677	1,591,625	3.55
Gangwon-do	5,049,287	2.3%	39,542,718,300	2.3%	7,831	1,550,806	3.26
Ulsan	4,704,634	2.2%	37,938,094,000	2.2%	8,064	1,172,304	4.01
Jeollanam-do	4,143,826	1.9%	28,602,387,500	1.6%	6,902	1,903,914	2.18
Jeju-do	2,226,882	1.0%	16,666,667,800	1.0%	7,484	641,597	3.47
Sejong	875,837	0.4%	6,776,160,900	0.4%	7,737	243,048	3.60
Total	217,024,355	100.0%	1,743,183,124,970	100.0%	8,032	51,696,216	4.20

※ Population is based on the population statistics (report of population and households) from the Ministry of the Interior as of December 31, 2016.

<Table 4> Average ticket price by year, 2007-2016

year	Admissions (10,000)	Box Office (KRW 100 million)	Average Ticket Price (KRW)	Average Ticket Price of Korean Films (KRW)	Average Ticket Price of foreign Films (KRW)
2007	15,877	9,918	6,247	6,222	6,270
2008	15,083	9,794	6,494	6,493	6,494
2009	15,696	10,940	6,970	6,960	6,981
2010	14,681	11,514	7,834	7,385	8,221
2011	15,972	12,362	7,737	7,406	8,095
2012	19,489	14,551	7,466	7,295	7,711
2013	21,335	15,513	7,271	7,148	7,453
2014	21,506	16,641	7,738	7,619	7,857
2015	21,729	17,154	7,895	7,789	8,009
2016	21,702	17,432	8,032	7,961	8,115

2) Box Office by Month

In 2016, the trend of foreign films dominating the first half of the year and Korean films taking over in the second half continued from 2014 and 2015. This trend is caused by a distribution strategy that lets foreign films lead in the first half from March to June, and focuses the capacity of Korean films centered on blockbusters in

the second half, which starts from the summer high season and continues to the Chuseok and winter high seasons.

In January 2016, human dramas again showed their strength. Continuing from <The Attorney> in 2014 and

<Table 5> Monthly, quarterly, half-yearly market share trend of Korean and foreign films, 2016

Category	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Korean Film Admissions	7,634,699	13,267,625	4,031,857	3,252,666	8,366,787	7,249,390	15,777,208	20,547,609	10,374,469	8,340,067	4,588,177	13,122,345	116,552,899
Monthly Market Share	45.2%	62.3%	35.8%	32.5%	46.1%	42.6%	60.1%	68.6%	64.0%	48.6%	36.2%	65.1%	
Quarterly Market Share	50.4%			41.8%			64.5%			52.1%			
Half-Yearly Market Share	46.3%						59.4%						
Foreign Film Admissions	9,273,883	8,045,081	7,234,875	6,742,706	9,764,410	9,770,679	10,460,664	9,393,312	5,834,325	8,819,862	8,094,642	7,037,017	100,471,456
Monthly Market Share	54.8%	37.7%	64.2%	67.5%	53.9%	57.4%	39.9%	31.4%	36.0%	51.4%	63.8%	34.9%	46.3%
Quarterly Market Share	49.6%			58.2%			35.5%			47.9%			
Half-yearly Market Share	53.7%						40.6%						
Total Admissions	16,908,582	21,312,706	11,266,732	9,995,372	18,131,197	17,020,069	26,237,872	29,940,921	16,208,794	17,159,929	12,682,819	20,159,362	217,024,355

<Ode to My Father> in 2015, <The Himalayas> topped the charts in 2016. However, while <The Attorney> (11.37 million viewers) and <Ode to My Father> (14.26 million viewers) recorded over 10 million viewers, <The Himalayas> only recorded 7.76 million viewers, and with the failure of <The Tiger>, the number of admissions for Korean films greatly decreased to 7.63 million, a 45.5% decrease from the same month of the previous year. Then, <A Violent Prosecutor> released in February sold 9.71 million tickets, raising the number of admissions for Korean films in February to 13.28 million, offsetting the decrease in January.

In March, the sleeper hit <Spirits’ Homecoming> recorded 3.59 million in ticket sales, saving face for Korean films during the low season. <The Wailing>, released in May, gathered 6.88 million viewers proving the value of thrillers rising as the candidate to counter Hollywood franchises. In June, ‘Women’s Films’ garnered much attention. <The Handmaiden> (4.3 million viewers) and <Familyhood> (2.11 million viewers) went over their break-even points and became box office hits, and while <The Truth Beneath> (250,000) did not become a box office hit, it received great reviews from critics. Despite the success of <Spirits’ Homecoming>, <The Wailing> and <The Handmaiden> during the low season, they were not enough to stop the raid of Hollywood franchises concentrated during April and May. Especially, with reoccurring releases of films by the Marvel Studios franchise represented with ‘Iron Man’ and ‘Avengers’ series in late April, viewers have come to naturally expect the release of a Marvel Studios films in April or May. <Captain America: Civil War>, released in April, recorded 8.68 million viewers, becoming the most successful foreign film of 2016. In May, <X-Men: Apocalypse> was released to draw 2.94 million viewers, aiding the domination of foreign films during the low season.

During the summer high season, Korean films dominated over foreign films. Tent-pole films <Train To Busan> (11.57 million viewers) and <Operation Chromite> (7.08 million viewers) were released in July,

raising the number of admissions for the Korean films in July (15.78 million viewers) by 40.4% from the same month of the previous year, and the total admissions in July recorded 26.24 million, a record high. With the success of <The Last Princess> (5.6 million viewers) and <The Tunnel> (7.12 million viewers) in August, all four blockbusters targeted for the summer high season during July and August managed to become box office hits, raising the number of Korean film admissions for the second half of the year. <The Age of Shadows> (7.5 million viewers) topped the box office for the Chuseok season, and continued its momentum through September, raising the admissions share of Korean films during the summer high season and Chuseok season up to 64.5%.

The medium-budget film <Luck-Key> targeted for the October low season gathered 5.72 million viewers (6.98 million viewers total) during the month of October, becoming a ‘medium hit.’ With Marvel’s <Doctor Strange> gathering 2.58 million (5.45 million total) and <Miss Peregrine’s Home for Peculiar Children> gathering 2.46 million (2.72 million total), the total admissions for October reached a record high of 17.16 million, showing an increasing trend for the October market traditionally considered as a low season. <Vanishing Time: A Boy Who Returned> starring GANG Dong-won was expected to benefit from the timing of the CSAT tests, but its results fell short of the expectations with 500,000 admissions (510,000 in total), causing the number of viewers for Korean films in November to decrease by 55.9% from the same month of the previous year to 4.59 million. Meanwhile, among foreign films, <Fantastic Beasts and Where to Find Them> (4.66 million total) and <Doctor Strange> gathered 3.7 million and 2.85 million viewers respectively, recording a total of 9.08 million foreign film viewers in November, showing the dominance of foreign films in the low season market of the second half, as they did in the first half. While Korean blockbusters lead theaters during high seasons, Hollywood franchise films rush in during low seasons, reducing the territory of medium size films expecting ‘medium hit.’ In December, crime films and disaster films with a criti-

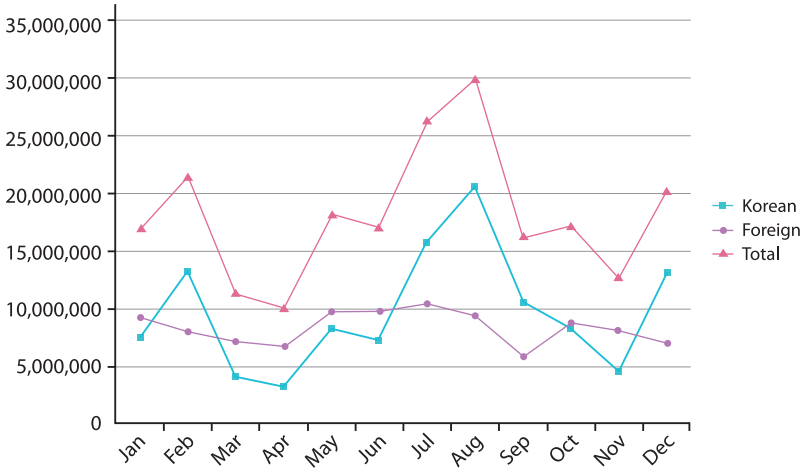
cal stance on current social issues such as <Master> (4.94 million viewers) and <Pandora> (4.31 million viewers) were favored by viewers. During the last few years, human drama has established itself as the formula for success, but after <The Himalayas> released in December 2015 fell short of 10 million viewers along

with the failure of <A Melody to Remember> and <SORI: Voice from the Heart>, viewers’fatigue of human drama has been on the rise. Then, the consideration of sociality – a rising keyword for success – resulted in the release of <Master> and <Pandora> in December.

<Table 6> Monthly admissions by country of origin, 2016

Month	Korean				Foreign				Total		
	No. of Films Released	No. Films of Screened	Admissions	Market Share	No. of Films Released	No. Films of Screened	Admissions	Market Share	No. of Films Released	No. Films of Screened	Admissions
2016-01	17	77	7,634,699	45.2%	96	229	9,273,883	54.8%	113	306	16,908,582
2016-02	21	89	13,267,625	62.3%	78	251	8,045,081	37.7%	99	340	21,312,706
2016-03	23	115	4,031,857	35.8%	109	267	7,234,875	64.2%	132	382	11,266,732
2016-04	21	131	3,252,666	32.5%	115	295	6,742,706	67.5%	136	426	9,995,372
2016-05	30	125	8,366,787	46.1%	86	227	9,764,410	53.9%	116	352	18,131,197
2016-06	29	114	7,249,390	42.6%	93	242	9,770,679	57.4%	122	356	17,020,069
2016-07	17	131	15,777,208	60.1%	100	291	10,460,664	39.9%	117	422	26,237,872
2016-08	24	120	20,547,609	68.6%	98	257	9,393,312	31.4%	122	377	29,940,921
2016-09	29	124	10,374,469	64.0%	113	298	5,834,325	36.0%	142	422	16,208,794
2016-10	20	104	8,340,067	48.6%	86	298	8,819,862	51.4%	106	402	17,159,929
2016-11	41	147	4,588,177	36.2%	132	383	8,094,642	63.8%	173	530	12,682,819
2016-12	30	135	13,122,345	65.1%	112	329	7,037,017	34.9%	142	464	20,159,362
Total	302	1,412	116,552,899	53.7%	1218	3,367	100,471,456	46.3%	1,520	4,779	217,024,355

<Figure 2> Monthly admissions by country of origin, 2016



<Table 7> Box office results for the Top 20 films released in Korea, 2016

Rank	Title	Release date	Rating	Country of Origin	No. of Screens	Admissions	Sales Revenue (KRW)	Distributed by
1	Train To Busan	2016-07-20	15+	Korea	1,788	11,565,479	93,178,283,048	Next Entertainment World Co., Ltd. (NEW)
2	A Violent Prosecutor	2016-02-03	15+	Korea	1,812	9,707,581	77,320,403,264	Showbox Corp.
3	Captain America: Civil War	2016-04-27	12+	US	1,991	8,677,249	72,672,111,827	The Walt Disney Company Korea Ltd.
4	The Age of Shadows	2016-09-07	15+	Korea	1,444	7,500,420	61,269,783,831	Warner Bros., Korea
5	Tunnel	2016-08-10	12+	Korea	1,105	7,120,508	57,529,484,41	Showbox Corp.
6	Operation Chromite	2016-07-27	12+	Korea	1,049	7,076,713	55,321,461,503	CJ E&M Corp.
7	Luck-Key	2016-10-13	15+	Korea	1,158	6,975,291	56,444,469,256	Showbox Corp.
8	The Wailing	2016-05-12	15+	Korea	1,485	6,879,908	55,863,520,382	20th Century Fox Korea
9	The Last Princess	2016-08-03	12+	Korea	964	5,599,229	44,393,828,109	Lotte Shopping Lotte Entertainment Ltd.
10	Doctor Strange	2016-10-26	12+	US	1,503	5,446,241	47,481,848,396	The Walt Disney Company Korea Ltd.
11	Master	2016-12-21	15+	Korea	1,501	4,935,304	39,784,708,565	CJ E&M Corp.
12	Zootopia	2016-02-17	All	US	661	4,706,158	37,096,057,742	The Walt Disney Company Korea Ltd.
13	Fantastic Beasts and Where to Find Them	2016-11-16	12+	US	1,431	4,662,751	39,302,621,858	Warner Bros., Korea
14	Pandora	2016-12-07	12+	Korea	1,166	4,313,570	33,953,303,364	Next Entertainment World Co., Ltd. (NEW)
15	The Handmaiden	2016-06-01	18+	Korea	1,171	4,299,951	35,302,393,391	CJ E&M Corp.
16	Kung Fu Panda 3	2016-01-28	All	US	1,365	3,984,812	31,340,798,156	CJ E&M Corp.
17	Spirits' Homecoming	2016-02-24	15+	Korea	876	3,587,173	27,249,738,990	WAW Pictures
18	Deadpool	2016-02-17	18+	US	1,036	3,317,196	27,595,618,651	20th Century Fox Korea
19	Now You See Me 2	2016-07-13	12+	US	1,200	3,100,113	25,116,690,113	Lotte Shopping Lotte Entertainment Ltd.
20	My Annoying Brother	2016-11-23	12+	Korea	993	2,979,561	23,113,286,293	CJ E&M Corp.

※ Number of screens = maximum number of screens in the first week of the film's release
※ Admissions and revenue from extended editions and directors editions are included.

<Table 8> Box office results for the Top 10 Korean films, 2016

Rank	Title	Director	Release Date	Rating	No. of Screens	Sales Revenue (KRW)	Admissions	Produced by	Distributed by
1	Train To Busan	YEON Sang-ho	2016-07-20	15+	1,788	11,565,479	93,178,283,048	A Film Company Redpeter Co., Ltd	Next Entertainment World Co.,Ltd (NEW)
2	A Violent Prosecutor	LEE Il-hyung	2016-02-03	15+	1,812	9,707,581	77,320,403,264	Moonlight Film, Sanai Pictures	Showbox Corp.
3	The Age of Shadows	KIM Jee-woon	2016-09-07	15+	1,444	7,500,420	61,269,783,831	Grimm Pictures, Warner Bros., Korea, Harbin Films	Warner Bros., Korea
4	Tunnel	KIM Seong-hun	2016-08-10	12+	1,105	7,120,508	57,529,484,417	Another Sunday Co., Ltd, BA Entertainment	Showbox Corp.
5	Operation Chromite	John H. LEE	2016-07-27	12+	1,049	7,076,713	55,321,461,503	Taewon Entertainment	CJ E&M Corp.
6	Luck-Key	LEE Gae-byok	2016-10-13	15+	1,158	6,975,291	56,444,469,256	Yong Film Inc.	Showbox Corp.
7	The Wailing	NA Hong-jin	2016-05-12	15+	1,485	6,879,908	55,863,520,382	Side Mirror, 20th Century Fox International Productions	20th Century Fox Korea
8	The Last Princess	HUR Jin-ho	2016-08-03	12+	964	5,599,229	44,393,828,109	Hive Media Corp., HO Film, DCG Plus	Lotte Shopping Lotte Entertainment Ltd.
9	Master	JO Ui-seok	2016-12-21	15+	1,501	4,935,304	39,784,708,565	ZIP Cinema	CJ E&M Corp.
10	Pandora	PARK Jung-woo	2016-12-07	12+	1,166	4,313,570	33,953,303,364	CAC Entertainment	Next Entertainment World Co.,Ltd (NEW)

<Table 9> Box office results for the Top 10 foreign films, 2016

Rank	Title	Release Date	Rating	No. of Screens	Admissions	Sales Revenue (KRW)	Distributed by
1	Captain America: Civil War	2016-04-27	12+	1,991	8,677,249	72,672,111,827	The Walt Disney Company Korea Ltd.
2	Doctor Strange	2016-10-26	12+	1,503	5,446,241	47,481,848,396	The Walt Disney Company Korea Ltd.
3	Zootopia	2016-02-17	All	661	4,706,158	37,096,057,742	The Walt Disney Company Korea Ltd.
4	Fantastic Beasts and Where to Find Them	2016-11-16	12+	1,431	4,662,751	39,302,621,858	Warner Bros., Korea
5	Kung Fu Panda 3	2016-01-28	All	1,365	3,984,812	31,340,798,156	CJ E&M Corp.
6	Deadpool	2016-02-17	18+	1,036	3,317,196	27,595,618,651	20th Century Fox Korea
7	Now You See Me 2	2016-07-13	12+	1,200	3,100,113	25,116,690,113	Lotte Shopping Lotte Entertainment Ltd.
8	X-Men: Apocalypse	2016-05-25	12+	1,262	2,938,818	24,467,887,950	20th Century Fox Korea
9	Miss Peregrine's Home for Peculiar Children	2016-09-28	12+	904	2,718,158	21,841,214,586	20th Century Fox Korea
10	Jason Bourne	2016-07-27	15+	827	2,611,966	21,253,434,663	Universal Pictures International Korea Ltd.

3) Admissions by number of films produced, imported, released and film ratings

A total of 1,520 films were released in 2016, increasing by 344 films from 1,176 films released in 2015. 302 of them were Korean films and 1,218 were foreign. 373 Korean films were produced and 1,526 foreign films were imported, both numbers showing a rise. The number of films produced, imported and released is growing each year because films targeted for the digital online market represented by IPTV and digital cable TV aims to fulfill qualification as theater releases in order to increase their content pricing, thus choosing theater releases as a formality.

Out of 302 Korean films released in 2016, the number of films formally released presumably targeting the digital online market was 123,⁸⁾ and 117 of them were rated 18 and above, concentrated mostly on adult films. 715 films out of 1,218 foreign films released in theater were presumed to be formally released films, and 600 of them were rated 18 and above, most of them being adult films or B movies.

Of the total Korean film admissions in 2016, films rated for 15 and above attracted most viewers with a share of 57.3%, followed by 12 and above with 32.2%, 18 and above with 8.4%, and all audiences with 2%. With the success of action and crime films, the admissions share

of films rated for 15 and above was the highest for Korean films. Meanwhile, for foreign films, films rated for 12 and above had the most share with 52.2%, followed by all audiences with 22.2%, 15 and above with 19.2%, and 18 and above with 6.4%. Among foreign films, action and adventure films gathered most viewers, giving films rated for 12 and above the largest share.

When comparing admissions shares of Korean films and foreign films by ratings, 90.5% of the admissions for films rated for all audiences were for foreign films. While foreign animation films rated for all audiences such as <Zootopia> and <Kung Fu Panda 3> became box office hits, since the genres likely to receive all audiences rating such as animation and documentary are minor genres in domestic films, the share of Korean films in the all audience market share was a mere 9.5%. On the other hand, with the success of animation films rated for all audiences such as <Zootopia> and <Kung Fu Panda 3>, foreign films showed a high share. Among films rated for 12 and above, foreign films (58.6%) again dominated over Korean films (41.4%) by 17.2 pp. Meanwhile, Korean films performed better with higher ratings; 77.4% of the admissions for films rated for 15 and above and 60.3% for 18 and above were for Korean film, outperforming foreign works.

8. When a film is shown in at least once screen throughout the day for one week, the number of screenings come to approximately 40, thus commercial films with less than 40 screenings are presumed as formally released films.

<Table 10> Number of Korean film productions and foreign films imported and released in 2016

Ratings	Korean Films		Foreign Films		Total	
	No. of films produced	No. of films released	No. of films imported	No. of films released	No. of films produced/imported	No. of films released
All	45	34	119	99	164	133
12+	47	39	205	154	252	193
15+	75	67	382	276	457	343
18+	206	162	820	689	1,026	851
Restricted	0	0	0	0	0	0
Total	373	302	1,526	1,218	1,899	1,520

※ Number of films produced is based on number of Korean films rated by the Korea Media Rating Board.
※ Above number of films produced and imported by ratings only includes those rated by the Korea Media Rating Board in 2015 with a running time of 40 minutes or more, and excludes all accounts of reclassification due to reasons such as change of contents as well as ratings on 3D, dubbing, director's cut, unabridged versions, Screen X, and extended editions.

<Table 11> Number of releases, admissions and sales revenue of Korean films by ratings, 2016

Ratings	No. of Films Released	Percentage of Films Released	Admissions	Admissions Share	Sales Revenue (KRW)	Sales Revenue Share
All	34	11.3%	2,256,319	2.0%	17,334,880,038	2.0%
12+	39	12.9%	35,766,074	32.2%	281,268,386,827	31.8%
15+	67	22.2%	63,749,742	57.3%	510,744,784,543	57.7%
18+	162	53.6%	9,390,293	8.4%	76,148,811,045	8.6%
Total	302	100.0%	111,162,428	100.0%	885,496,862,453	100.0%

<Table 12> Number of releases, admissions and sales revenue of foreign films by ratings, 2016

Ratings	No. of Films Released	Percentage of Films Released	Admissions	Admissions Share	Sales Revenue (KRW)	Sales Revenue Share
All	99	8.1%	21,572,569	22.2%	166,687,038,181	21.1%
12+	154	12.6%	50,591,334	52.2%	420,983,728,445	53.3%
15+	276	22.7%	18,653,076	19.2%	151,202,551,828	19.1%
18+	689	56.6%	6,189,209	6.4%	51,248,098,323	6.5%
Total	1,218	100.0%	97,006,188	100.0%	790,121,416,777	100.0%

<Table 13> Number of releases, admissions and sales revenue of all films by ratings, 2016

Ratings	No. of Films Released	Percentage of Films Released	Admissions	Admissions Share	Sales Revenue (KRW)	Sales Revenue Share
All	133	8.8%	23,828,888	11.4%	184,021,918,219	11.0%
12+	193	12.7%	86,357,408	41.5%	702,252,115,272	41.9%
15+	343	22.6%	82,402,818	39.6%	661,947,336,371	39.5%
18+	851	56.0%	15,579,502	7.5%	127,396,909,368	7.6%
Total	1,520	100.0%	208,168,616	100.0%	1,675,618,279,230	100.0%

<Table 14> Admissions share of Korean and foreign films by ratings, 2016

Ratings	Korean Films		Foreign Films		Total
	Admissions	Admissions Share	Admissions	Admissions Share	Admissions
All	2,256,319	9.5%	21,572,569	90.5%	23,828,888
12+	35,766,074	41.4%	50,591,334	58.6%	86,357,408
15+	63,749,742	77.4%	18,653,076	22.6%	82,402,818
18+	9,390,293	60.3%	6,189,209	39.7%	15,579,502
Total	111,162,428	53.4%	97,006,188	46.6%	208,168,616

4) Admissions by country of origin

The 2016 admissions share of Korean films increased by 1.7 to 53.7%, showing a lead over foreign films for the sixth consecutive year since 2011. The admissions share of American films was 41.4% with 89.81 million viewers.

5) Admissions by distributors

CJ E&M managed to remain as the distributor with the highest admissions share of Korean and foreign films combined for the 14th consecutive year since 2003. Showbox took second place for the second consecutive year, and the Walt Disney Company Korea was ranked third, showing their strength in the animation genre. With help from the success of Korean films they invested in – <The Age of Shadows> and <The Wailing>, Warner Bros. Korea and 20th Century Fox Korea took

The admissions of films from Greater China increased by 250.8% to 910,000, thanks to the success of Taiwanese film <Our Times> (410,000 viewers). European films drew 3.8 million viewers, with the British film <The Abominable Bride> recording the most viewers with 1.28 million. Irish art film <Sing Street> also performed well gathering 560,000 viewers.

fourth and fifth place respectively. NEW took sixth place with the distribution of <Train To Busan>, the only film to sell over 10 million seats in 2016.

Of the total admissions from films distributed by Lotte, 46.2% were from viewers of foreign films, showing the highest share of foreign film viewers among Korean distributors. After signing a distribution contract with Paramount Pictures in 2015, Lotte has surpassed CJ E&M in

<Table 15> Share by country of origin, 2016

Country of Origin		Category	No. of Films	Sales revenue nationwide (KRW 1 million)	Revenue Share	Admissions	Admissions Share
Korea		Screened	374	927,846	53.2%	116,552,899	53.7%
		Released	302	885,497	52.8%	111,162,428	53.4%
US	US direct distribution	Screened	68	578,637	33.2%	70,460,227	32.5%
		Released	57	570,032	34.0%	69,392,666	33.3%
	US import	Screened	301	156,652	9.0%	19,350,168	8.9%
		Released	288	155,920	9.3%	19,260,422	9.3%
	Subtotal	Screened	369	735,289	42.2%	89,810,395	41.4%
		Released	345	725,951	43.3%	88,653,088	42.6%
Greater China		Screened	65	7,014	0.4%	909,236	0.4%
		Released	65	7,014	0.4%	909,236	0.4%
Europe		Screened	221	31,109	1.8%	4,019,102	1.9%
		Released	198	29,383	1.8%	3,796,490	1.8%
Japan		Screened	570	24,825	1.4%	3,246,588	1.5%
		Released	559	23,455	1.4%	3,072,517	1.5%
Others		Screened	66	17,100	1.0%	2,486,135	1.1%
		Released	51	4,318	0.3%	74,857	0.3%
Total		Screened	1,665	1,743,183	100.0%	217,024,355	100.0%
		Released	1,520	1,675,618	100.0%	208,168,616	100.0%

※ Greater China includes China, Hong Kong, and Taiwan.

their admissions share in foreign films, seeking for an opportunity to rise again. It was also notable that Megabox Inc. Plus M, which has consistently been focusing on investment and distribution of medium & low budget films, showed a rapid growth.

CJ E&M distributed a total of 16 Korean films including <Operation Chromite> with admissions of 7.08 million, <Master> (4.94 million), and <The Handmaiden> (4.3 million), and 8 foreign films including <Kung Fu Panda 3> (3.98 million), recording a total of 37.31 million viewers (24.4% decrease from 2015). CJ E&M recorded an admissions share of 17.4%, a 5.5 point decrease from

the previous year.

While Showbox's share of admissions decreased by 3.5 points to 13.6%, they still managed to secure second place. While the number of admissions externally decreased by 20.9% from 2015, four of the seven Korean films Showbox distributed in 2016 including <A Violent Prosecutor> (9.71 million), <The Tunnel> (7.12 million), <Luck-Key> (6.98 million), and <Familyhood> (2.11 million) succeeded by going over the break-even point, ensuring internal stability.

In third place was The Walt Disney Company Korea with

<Table 16> Annual admissions share and ranking by distributors, 2012-2016

Rank	2012			2013			2014			2015			2016		
	Distri butor	No. of Relea ses	Admi ssions share	Distri butor	No. of Relea ses	Admi ssions share	Distri butor	No. of Relea ses	Admi ssions share	Distri butor	No. of Relea ses	Admi ssions share	Distri butor	No. of Relea ses	Admi ssions share
1	CJ	43	27.2	CJ	42	21.4	CJ	31	24.9	CJ	26	22.9	CJ	24	17.4
2	Showbox	11	12.8	NEW	21	18.4	Lotte	30.5	12.1	Showbox	11	17.1	Showbox	10	13.6
3	Lotte	46	12.4	Lotte	37.5	14.9	Sony	16	11.3	Disney	9	11.6	Disney	10	12.3
4	NEW	16.5	12.1	Showbox	13	13.7	WB	12	10.8	Fox	16	9.4	WB	13	10.3
5	Sony	18	12	Sony	18	9.5	Fox	14	8.9	UPI	32	8.6	Fox	14	9.6
Others		586.5	23.5	Others	903.5	22.1	Others	1,084.5	32	Others	1,181	30.4	Others	1,594	36.8
Total		721	100.0	Total	1,035	100.0	Total	1,188	100.0	Total	1,275	100.0	Total	1,665	100.0

<Table 17> Total market share by distributors, 2016

Rank	Distributor	No. of Releases	Sales Revenue (KRW 1 million)	Revenue Share	Admissions	Admissions Share
1	CJ E&M Corp.	24	295,632	17.0%	37,310,375	17.4%
2	Showbox Corp.	10	234,874	13.5%	29,226,984	13.6%
3	The Walt Disney Company Korea Ltd.	10	219,413	12.6%	26,513,066	12.3%
4	Warner Bros., Korea	13	183,088	10.5%	22,180,970	10.3%
5	20th Century Fox Korea	14	168,771	9.7%	20,699,401	9.6%
6	Next Entertainment World Co.,Ltd (NEW)	19.5	160,474	9.2%	20,139,837	9.4%
7	Lotte Shopping Lotte Entertainment Ltd.	21	131,566	7.5%	16,417,707	7.6%
8	Universal Pictures International Korea Ltd.	35	119,389	6.8%	14,852,806	6.9%
9	Megabox Inc. Plus M	12	49,480	2.8%	6,297,375	2.9%
10	WAW Pictures	1	27,249	1.6%	3,586,929	1.7%
Others		1,505.5	153,247	8.8%	19,798,906	9.1%
Total		1,665	1,743,183	100.0%	217,024,355	100.8%

a total of 26.51 million viewers, having distributed Hollywood franchise films such as <Captain America: Civil War> (8.68 million viewers) and <Doctor Strange> (5.45 million viewers), along with <Zootopia> (4.71 million viewers), <Finding Dory> (2.60 million viewers) and <The Jungle Book> (2.54 million viewers). The Walt Disney Company Korea recorded an admissions share of 12.3%, an increase of 0.7 points.

With the success of their first Korean film investment, <The Age of Shadows> (7.5 million viewers), Warner Bros. Korea rose by four steps from eighth place in 2015 to fourth place in 2016. Along with the local film <The Age of Shadows>, Warner Bros. Korea distributed a total of 13 films including <Fantastic Beasts and Where to

Find Them> (4.66 million viewers) and <Batman v Superman: Dawn of Justice> (2.26 million viewers), gathering a total of 22.18 million viewers. Its admissions share rose by 4.8 points from 2015 to 10.3%.

20th Century Fox Korea distributed a total of 14 films including <The Wailing> (6.88 million viewers), the fourth Korean film they invested in and distributed, <Deadpool> (3.32 million viewers), <X-Men: Apocalypse> (2.94 million viewers) and <Miss Peregrine's Home for Peculiar Children> (2.72 million viewers), with an admissions share of 9.6% from a total of 20.70 million viewers.

Among the films distributed by NEW, only two films

<Table 18> Market share of Korean films by distributors, 2016

Rank	Distributor	No. of Releases	Sales Revenue (KRW 1 million)	Revenue Share	Admissions	Admissions share
1	CJ E&M Corp.	16	254,122	27.4%	31,967,113	27.5%
2	Showbox Corp.	9	234,816	25.3%	29,218,876	25.1%
3	Next Entertainment World Co.,Ltd (NEW)	14.5	157,452	17.0%	19,740,478	17.0%
4	Lotte Shopping Lotte Entertainment Ltd.	7	69,521	7.5%	8,834,035	7.6%
5	Warner Bros., Korea	1	61,270	6.6%	7,500,420	6.4%
6	20th Century Fox Korea	1	55,864	6.0%	6,879,908	5.9%
7	Megabox Inc. Plus M	5	32,253	3.5%	4,120,475	3.5%
8	WAW Pictures	1	27,249	2.9%	3,586,929	3.1%
9	Opus Pictures	5	7,007	0.8%	877,190	0.8%
10	Contents Nandakinda	1	3,600	0.4%	482,259	0.4%
	Others	313.5	24,692	2.6%	3,345,216	2.7%
	Total	374	927,846	100.0%	116,552,899	100.0%

<Table 19> Market share of foreign films by distributors 2016

Rank	Distributor	No. of Releases	Sales Revenue (KRW 1 million)	Revenue Share	Admissions	Admissions share
1	The Walt Disney Company Korea Ltd.	10	219,413	27.4%	26,513,066	26.9%
2	Universal Pictures International Korea Ltd.	35	119,389	14.9%	14,852,806	15.1%
3	Warner Bros., Korea	12	121,818	15.2%	14,680,550	14.9%
4	20th Century Fox Korea	13	112,907	14.1%	13,819,493	14.0%
5	Lotte Shopping Lotte Entertainment Ltd.	14	62,045	7.7%	7,583,672	7.7%
6	CJ E&M Corp.	8	41,510	5.2%	5,343,262	5.4%
7	Pancinema	10	21,703	2.7%	2,605,198	2.7%
8	Megabox Inc. Plus M	7	17,227	2.2%	2,176,900	2.2%
9	Isu C&E	13	11,262	1.4%	1,453,286	1.5%
10	A Film Company Big Co., Ltd	17	7,756	1.0%	993,241	1.0%
	Others	1,152	80,306	8.2%	10,449,983	8.6%
	Total	1,291	815,338	100.0%	100,471,456	100.0%

were able to attract over 2 million viewers: <Train To Busan> (11.57 million viewers), the only film to record over 10 million viewers, and <Pandora> (4.31 million viewers). Thanks to the ‘mega hit’ of <Train To Busan>, NEW was able to secure sixth place during the previous year. NEW distributed a total of 19.5 films including a joint distribution, gathered a total of 20.14 million viewers, and recorded an admission share of 9.4%.

Lotte continued to record the highest admissions share in foreign films among Korean distributors in 2016. Lotte distributed a total of 7 Korean films including <The Last Princess> (5.6 million viewers) and 14 foreign films <Now You See Me 2> (3.1 million viewers), gath-

ering a total of 16.42 million viewers. Among them, the viewers for foreign films were 7.57 million, taking up 46.2% of the total.

Megabox Inc. Plus M had an encouraging year with higher-than-expected records through medium and low budget films such as <DONGJU; The Portrait of A Poet> (1.17 million viewers), <Missing> (1.15 million viewers) and <Insane> (1.06 million viewers). Megabox Inc. Plus M distributed a total of 12 films; 5 Korean films and 7 foreign films, and recorded a total of 6.3 million viewers, an increase of 110.7% from the previous year, which shows that the number of their viewers more than doubled.

6) Re-release films

After the success of the re-release of <Eternal Sunshine> (324,379 re-release viewers) in 2015, there was a boom in theaters for re-released titles. Up until now, ‘re-releases’ were considered as temporary events, and KOBIS did not announce them in official statistics. However, due to the increasing number of re-release films and their viewers after 2015, a new section for statistics and status of re-release films was added in this 2016 report. Since the current KOBIS resource lacks information or standards on re-release films, in this report, re-release films refer to films with a total of 40 screenings⁹⁾ or more among films not released this year, excluding films re-leased in 2015 and which continued to screen through

2016.

The number of re-release films increased by 164% to 90 films in 2016 from 34 in 2013. Re-releases increased rapidly due to the following causes: First, the success case of <Eternal Sunshine> had an influence. More audiences wanted to watch films released a long time ago but had cinematic quality, and thanks to this trend, <Eternal Sunshine> attracted approximately 88% more viewers than its initial release in 2005, providing fodder for the re-release boom. Second, re-release films have an advantage of being able to save on marketing costs compared to new releases. With well-known films, a

<Table 20> Admission trends of re-release films, 2013-2016

Year	2013	2014	2015	2016
No. of total re-release films	34	65	45	90
No. of Korean films	6 (17.6%)	12 (18.5%)	12 (26.7%)	6 (6.7%)
No. of foreign films	28 (82.4%)	53 (81.5%)	33 (73.3%)	84 (93.3%)
Total admissions for re-release films	446,321	376,681	792,136	1,347,895
Admissions for Korean films	34,319 (7.7%)	10,564 (2.8%)	14,881 (1.9%)	6,508 (0.5%)
Admissions for foreign films	412,002 (92.3%)	366,237 (97.2%)	777,255 (98.1%)	1,341,387 (99.5%)
Total sales revenue (KRW 1,000)	3,797,166	2,420,830	6,282,683	10,547,398
Sales revenue from Korean films (KRW 1,000)	235,677 (6.2%)	36,402 (1.5%)	47,125 (0.8%)	49,224 (0.5%)
Sales revenue from foreign films (KRW 1,000)	3,561,489 (93.8%)	2,384,428 (98.5%)	6,235,559 (99.2%)	10,498,175 (99.5%)

※ Numbers in the parentheses refer to the share from the total.

9. When a film is shown in at least once screen throughout the day for one week, the number of screenings comes to approximately 40, thus the standard. Films with less than 40 screenings are not included as re-releases, even when they have published press releases regarding re-release or submitted a re-release date.

low-cost and high-efficiency marketing effect can be expected based on good reviews, as well as a secure supply of viewers. Also, with the growth of the online market including IPTV, re-released films can be reintroduced to the online market, stimulating further revenue.

<Eternal Sunshine> (320,000 viewers) attracted the most viewers among re-released films between 2013 and 2016, followed by <The Notebook> re-released in 2016 with 180,000. <Howl's Moving Castle> was re-released as a digital remaster in 2014, taking third place.

<The Notebook> (180,000 viewers) topped the list among re-released films in 2016. <500 Days of Summer> (150,000 viewers) and <Life Is Beautiful> (130,000 viewers) took the second and third places respectively. Most of them were films talked about on various media or SNS. While audiences are welcoming the re-release of films they missed in theaters, voices of concern do exist saying that re-release films are taking away screening opportunities from medium & low budget films as they compete with each other. For 2016, when taking re-release films into the consideration, a total of approximately 1,600 films were released, escalating competition amongst small films going on limited release.

<Table 21> Top 10 re-release film admissions, 2013-2016

Rank	Title	Initial Release Date	Release Date	Rating	Country of Origin	No. of Screens	Admissions	Sales Revenue (KRW 1,000)	Distributor
1	Eternal Sunshine	2005-11-10	2015-11-10	15+	US	108	315,447	2,581,018	Nova Media
2	The Notebook	2004-11-26	2016-10-19	15+	US	148	182,633	1,505,477	Geulmoi, Inc.
3	Howl's Moving Castle	2004-12-23	2014-12-04	All	Japan	331	179,708	1,335,687	Isu C&E
4	Spirited Away	2002-06-27	2015-02-05	All	Japan	339	159,282	1,255,443	Kidari ENT
5	500 Days of Summer	2010-01-21	2016-06-29	15+	US	156	147,891	1,222,842	Pop Entertainment
6	Life Is Beautiful	1999-03-06	2016-04-13	All	Italy	127	127,325	847,807	Kidari ENT
7	Monsters, Inc.	2001-12-20	2013-02-07	All	US	177	90,144	933,976	Walt Disney Korea
8	Finding Nemo	2003-06-05	2013-05-01	All	US	212	73,215	757,151	Walt Disney Korea
9	Love Actually	2003-12-05	2015-12-17	15+	US	105	70,500	563,343	UIP KOREA
10	Dead Poets Society	1990-05-19	2016-08-17	12+	US	92	57,789	435,057	Dream Factory Entertainment, Inc.

* Based on admissions from re-release
* Number of screens refer to the maximum number of screens during the first week of re-release

<Table 22> Top 10 re-release film admissions, 2016

Rank	Title	Initial Release Date	Release Date	Rating	Country of Origin	No. of Screens	Admissions	Sales Revenue (KRW 1,000)	Distributor
1	The Notebook	2004-11-26	2016-10-19	15+	US	148	182,633	1,505,477	Geulmoi, Inc.
2	500 Days of Summer	2010-01-21	2016-06-29	15+	US	156	147,891	1,222,842	Pop Entertainment
3	Life Is Beautiful	1999-03-06	2016-04-13	All	Italy	127	127,325	847,807	Kidari ENT
4	Dead Poets Society	1990-05-19	2016-08-17	12+	US	92	57,789	435,057	Dream Factory Entertainment, Inc.
5	Before Sunrise	1996-03-30	2016-04-07	15+	US	142	56,082	455,476	Dream Factory Entertainment, Inc.
6	Good Will Hunting	1998-03-21	2016-08-17	15+	US	85	46,847	360,846	Film Only 1
7	Between Calm And Passion	2003-10-10	2016-04-21	15+	Japan	119	44,347	355,617	Hajun Company
8	Mad Max: Fury Road	2015-05-14	2016-01-14 2016-12-21	15+	US	103	40,255	473,125	Warner Bros., Korea
9	The Girl Who Leapt Through Time	2007-06-14	2016-01-14	All	Japan	74	34,338	268,233	THE Pictures
10	Ben-Hur	1972-09-07	2016-07-07	12+	US	93	29,421	251,167	Pop Entertainment

Also, while most of the re-released films used to be remasters with higher picture quality or director's cuts, most of the re-release films as of late are being screened in the same form as their initial releases. Especially, as <Interstellar> (2014) and <The Lego Movie> (2014) did in 2016, many are being re-released less than 2 or 3 years after their initial release, causing some to criticize that re-releases are getting excessive. On the other hand, about 10 films were those advertised as re-release films but actually screened less than 40 times, showing the rise of films intended to use re-release as a means of advertisement to garner attention in the online market rather than in theaters.

On the contrary, instances of re-release of Korean films are rare. Films such as <Christmas in August> (re-released in 2013) and <Oldboy> (re-released in 2013) at-

tracted attention at the time of their re-release, but failed to draw a large audience. The low number of Korean re-releases is due to relatively low expectations for demand compared to the conversion costs needed for digital distribution, along with the fact that many Korean films released in the early 2000s have unresolved rights issues. In order for past Korean films including classics to become widely known and be passed down, digitalization of these films needs to be expanded consistently.

A number of films are expected to be re-released in 2017 as well. For the time being, the advertising effects and audience interest created by re-releases could be utilized, but as they could reduce screening opportunities for medium & low budget new releases, the wider influence of re-releases should be considered.

B. Market Concentration¹⁰⁾

During the second half of 2016, an amendment for the <Promotion of the Motion Pictures and Video Products Act> was proposed, outlining a ban on large corporations' involvement in both screening and distribution, restrictions on 'screen monopoly,' and a screen quota system for independent and art films. The issues such as oligopoly in the screening and distribution businesses and an increasing concentration of screening opportunities and revenues for box office hits have

consistently been brought up as the industrialization of Korean film industry has progressed. In order to verify statistical data related to such issues, statistics regarding following subjects were gathered and analyzed: 1. Market share of theater chains; 2. Market share of distributors; 3. Market share of box office hits; 4. Screen allocation rate of box office hits; 5. Degree of connection between theater chains and distributors for screen allocation.

1) Market share of theater chains

In order to take a look at the revenue share of each theater chain, the market share of each theater chain was determined through calculating annual revenue of the 3 major multiplex chains; CJ CGV (henceforth CGV), Lotte Cinema, and Megabox, as well as other independ-

ent theaters. As seen in <Table 23>, CGV has been taking up approximately 50% of the total revenue for all theaters for the past 4 consecutive years (CR1 ≈ 50), and the total revenue share of the 3 major multiplex chains rose from 96.1% in 2013 to 97.1% in 2016 (CR3≥75). Ar-

10. Many standards exist to examine monopolies in the market along with the market share of each company, and the most commonly used standards are the K-firm Concentration Ratio (CRk) and the Herfindahl-Hirschman Index (HHI). N-firm Concentration Ratio is the sum of the market share of top N companies among N companies. The sum of the market share of top K companies is referred to as the K-firm Concentration Ratio. The Herfindahl-Hirschman Index is the sum of the squares of the market shares of all companies within the market; the higher the HHI value, the greater the presumed concentration ratio. The standards in detail can vary for each country, period, or market. In US, under 1,500 are usually seen as unconcentrated, between 1,500 and 2,500 are seen as moderately concentrated, and over 2,500 are seen as highly concentrated. In Korea, <Merger Guidelines> notified by the Fair Trade Commission sets the approximate standards as under 1,200, between 1,200 and 2,500, and over 2,500. This report mainly focuses on CRk values for each relevant market, and uses HHI as a secondary measure.

title 4 of the <Monopoly Regulation and Fair Trade Act> uses the CRk value as a measure to determine market-dominating positions; according to such standard, the 3 major multiplex operators are presumed to be the market-dominating enterprisers in the screening market. HHI clarifies the concentration in the screening

market; the HHI of the last 4 years all exceed 3,500, confirming that Korean film screening market is highly concentrated on few corporations by any standards. As the revenue share of the 3 major multiplexes rise, the revenue shares of independent theaters are gradually decreasing.

<Table 23> Market share of theaters based on revenue, 2013-2016

Theater		2013	2014	2015	2016
3 Major Chains	CGV	49.5%	50.7%	50.6%	49.7%
	Lotte Cinema	28.4%	28.6%	29.9%	30.1%
	Megabox	18.1%	17.4%	16.6%	17.3%
3 Major Chains Subtotal		96.1%	96.7%	97.1%	97.1%
Independent Theaters		3.9%	3.3%	2.9%	2.9%
HHI		3,591	3,695	3,732	3,680

※ Revenue share of 2016 is based on KOBIS data as of January 31, 2017; subject to change in future.

2) Market share of distributors

The <Table 25> shows the revenue share of each distributor. Since the distribution business for Korean films are structurally tied with production and investment business, <Table 26> shows the admissions revenue share of each distributor for Korean films.

As seen in <Table 25>, CJ E&M secures the top place for revenue share, but the ranks below are changing every year. When examining the total share of the top 3 distributors (CR3), top 5 distributors (CR5), and top 10 distributors (CR10), no noticeable trend is detected in the last 4 years. However, the share of top distributors generally decreased in 2016; due to the success of Korean films (<The Wailing> and <The Age of Shadows>) invested in and distributed by major Hollywood studios

such as 20th Century Fox and Warner Bros., evenly sharing the distribution market as a result. Meanwhile, HHI of the distribution market for Korean and foreign films combined was calculated at 1,054 in 2016, showing it does not have a high market concentration.

However, the HHI of the distribution market for Korean films show a higher number than the total distribution market. With the participation of 20th Century Fox and Warner Bros. in the distribution market for Korean films, the HHI in 2016 was lowered to 1,838 from the previous year, according to the US standards that consider between 1,500 and 2,500 as ‘moderately concentrated,’ the distribution market for Korean films is currently ‘moderately concentrated.’

<Table 24> Concentration ratio (CRk) of top distributors for films released in 2013-2016

Category	2013	2014	2015	2016
Share of Top Distributor in Revenue (CR1)	21.2%	24.6%	22.5%	17.1%
Accumulated Share of Top 3 Distributor in Revenue (CR3)	53.9%	48.2%	51.4%	43.4%
Accumulated Share of Top 5 Distributor in Revenue (CR5)	77.1%	68.5%	69.8%	63.7%
Accumulated Share of Top 10 Distributor in Revenue (CR10)	96.3%	89.5%	94.2%	91.9%

<Table 25> Market share of distributors based on revenue for films released in 2013-2016

	2013		2014		2015		2016	
	Distributors	Share /Aggregate	Distributors	Share /Aggregate	Distributors	Share /Aggregate	Distributors	Share /Aggregate
1	CJ E&M	21.2% 21.2%	CJ E&M	24.6% 24.6%	CJ E&M	22.5% 22.5%	CJ E&M	17.1% 17.1%
2	NEW	18.1% 39.3%	LotteE	11.9% 36.5%	Showbox	17.0% 39.5%	Showbox	13.6% 30.7%
3	LotteE	14.6% 53.9%	Sony Pictures	11.6% 48.2%	Walt Disney	12.0% 51.4%	Walt Disney	12.7% 43.4%
4	Showbox	13.5% 67.4%	Warner Bros.	11.3% 59.5%	20th Century Fox	9.6% 61.0%	Warner Bros.	10.6% 54.0%
5	Sony Pictures	9.7% 77.1%	20th Century Fox	9.0% 68.5%	Universal Pictures	8.8% 69.8%	20th Century Fox	9.8% 63.7%
6	Warner Bros.	7.9% 84.9%	Showbox	7.5% 76.0%	NEW	7.8% 77.6%	NEW	9.3% 73.0%
7	Universal Pictures	4.9% 89.8%	NEW	7.3% 83.2%	LotteE	7.5% 85.1%	LotteE	7.6% 80.6%
8	20th Century Fox	4.3% 94.1%	Universal Pictures	2.6% 85.8%	Warner Bros.	5.8% 90.9%	Universal Pictures	6.9% 87.5%
9	I Love Cinema Co., Ltd.	1.4% 95.5%	Pancinema	1.8% 87.6%	CGV ARTHOUSE	2.0% 92.8%	Megabox Plus M	2.9% 90.4%
10	Cinus	0.8% 96.3%	CGV Collage	1.8% 89.5%	Megabox Plus M	1.3% 94.2%	WAW Pictures	1.6% 91.9%
	Others	3.7%	Others	10.6%	Others	5.8%	Others	8.1%
	HHI	1,373	HHI	1,221	HHI	1,268	HHI	1,054

<Table 26> Market share of distributors based on revenue for Korean films released in 2013-2016

	2013		2014		2015		2016	
	Distributors	Share /Aggregate	Distributors	Share /Aggregate	Distributors	Share /Aggregate	Distributors	Share /Aggregate
1	NEW	29.5% 29.5%	CJ E&M	37.2% 37.2%	CJ E&M	40.5% 40.5%	CJ E&M	27.4% 27.4%
2	CJ E&M	28.1% 57.6%	LotteE	19.7% 56.8%	Showbox	31.5% 72.1%	Showbox	25.3% 52.7%
3	Showbox	22.9% 80.5%	Showbox	14.7% 71.5%	NEW	14.7% 86.8%	NEW	17.0% 69.7%
4	LotteE	13.2% 93.7%	NEW	11.3% 82.9%	LotteE	3.9% 90.7%	LotteE	7.5% 77.2%
5	I Love Cinema Co., Ltd.	2.4% 96.1%	CGV Collage	3.6% 86.5%	CGV ARTHOUSE	3.7% 94.4%	Warner Bros.	6.6% 83.8%
	Others	3.9%	Others	13.5%	Others	5.6%	Others	16.2%
	HHI	2,368	HHI	2,149	HHI	2,881	HHI	1,838

3) Market share of box office hits

The revenue share of box office hits (based on aggregate market share of top 3 films, 5 films and 10 films in <Table 27>) in 2016 is slightly lower than that of 2013, while it is relatively higher than 2014 and 2015. It is hard

to determine a trend from such data. When limited to Korean box office hits, the revenue share in 2016 is a little higher than 2013, while it is comparably higher in 2014 and 2015 than 2013 and 2016.

<Table 27> Yearly market share of box office hits based on revenue (all films)

	2013		2014		2015		2016	
	Title	Share /Aggregate	Title	Share /Aggregate	Title	Share /Aggregate	Title	Share /Aggregate
1	Miracle in Cell No. 7	5.9%	Roaring Currents	8.2%	Veteran	6.2%	Train To Busan	5.3%
		5.9%		8.2%		6.2%		5.3%
2	Iron Man 3	4.6%	Frozen	5.0%	Assassination	5.8%	A Violent Prosecutor	4.4%
		10.5%		13.2%		11.9%		9.8%
3	Snowpiercer	4.3%	Interstellar	4.9%	Avengers: Age of Ultron	5.2%	Captain America: Civil War	4.2%
		14.8%		18.0%		17.1%		13.9%
4	The Face Reader	4.3%	The Pirates	4.0%	Ode to My Father	4.1%	The Age of Shadows	3.5%
		19.1%		22.0%		21.2%		17.5%
5	Berlin	3.4%	Miss Granny	3.8%	Inside Men	3.3%	Tunnel	3.3%
		22.5%		25.8%		24.5%		20.8%
6	Secretly Greatly	3.2%	Transformers: Age of Extinction	2.7%	Kingsman: The Secret Service	3.0%	Luck-Key	3.2%
		25.6%		28.5%		27.5%		24.0%
7	The Attorney	2.6%	The Attorney	2.5%	The Throne	2.9%	The Wailing	3.2%
		28.3%		31.0%		30.3%		27.2%
8	The Terror, LIVE	2.6%	Ode to My Father	2.5%	Mission: Impossible – Rogue Nation	2.8%	Operation Chromite	3.2%
		30.9%		33.5%		33.2%		30.4%
9	Hide and Seek	2.6%	Edge of Tomorrow	2.3%	Jurassic World	2.8%	Doctor Strange	2.7%
		33.4%		35.8%		36.0%		33.1%
10	Cold Eyes	2.5%	Kundo: Age of the Rampant	2.2%	Northern Limit Line	2.7%	The Last Princess	2.5%
		36.0%		38.0%		38.7%		35.6%

<Table 28> Yearly market share of box office hits based on revenue (Korean films)

	2013		2014		2015		2016	
	Title	Share /Aggregate	Title	Share /Aggregate	Title	Share /Aggregate	Title	Share /Aggregate
1	Miracle in Cell No. 7	10.1%	Roaring Currents	16.6%	Veteran	12.0%	Train To Busan	10.0%
		10.1%		16.6%		12.0%		10.0%
2	Snowpiercer	7.4%	The Pirates	8.1%	Assassination	11.2%	A Violent Prosecutor	8.3%
		17.4%		24.7%		23.2%		18.4%
3	The Face Reader	7.3%	Miss Granny	7.7%	Ode to My Father	7.9%	The Age of Shadows	6.6%
		24.7%		32.3%		31.1%		25.0%
4	Berlin	5.8%	The Attorney	5.1%	Inside Men	6.4%	Tunnel	6.2%
		30.4%		37.4%		37.5%		31.2%
5	Secretly Greatly	5.4%	Ode to My Father	5.0%	The Throne	5.6%	Luck-Key	6.1%
		35.8%		42.5%		43.1%		37.2%
6	The Attorney	4.5%	Kundo: Age of the Rampant	4.5%	Northern Limit Line	5.2%	The Wailing	6.0%
		40.3%		47.0%		48.3%		43.3%
7	The Terror, LIVE	4.4%	Tazza: The Hidden Card	4.0%	The Priests	4.8%	Operation Chromite	5.9%
		44.7%		50.9%		53.1%		49.2%
8	Hide and Seek	4.4%	The Fatal Encounter	3.6%	The Himalayas	4.5%	The Last Princess	4.8%
		49.0%		54.6%		57.6%		54.0%
9	Cold Eyes	4.3%	My Love, Don't Cross That River	3.6%	Detective K: Secret of the Lost Island	3.5%	Master	4.3%
		53.4%		58.2%		61.1%		58.3%
10	New World	3.8%	The Divine Move	3.5%	Twenty	2.7%	The Handmaiden	3.8%
		57.2%		61.7%		63.7%		62.0%
	Others	42.8%	Others	38.3%	Others	36.3%	Others	38.0%

4) Screen allocation rate of box office hits

In order to assess the degree of screening opportunities for box office hits, the top 3 films with the most 28> Yearly market share of box office hits based on revenue (Korean films) daily screenings were listed, and their number of daily screenings, allocated seats, and admissions revenue were calculated, which were added up to annual values. As seen in <Table 29>, the number of screenings assigned to the film with the most daily screenings in 2016 accounted for 31.6% of the total (1,833,379 divided by 5,801,478), the number of seats took up 37.1% of the total (355,416,469 divided by 958,874,879) and the admissions revenue accounted for 45.3% of the total (KRW 790.3 billion divided by 1.74 trillion).

While the share of the film with the most daily screenings in its number of screenings, number of seats and

revenue shows an increasing trend year by year, the share of films in second and third place are on a slightly decreasing trend, thus showing no tendency of change in their aggregate.

In 2016, a total of 30 days had more than 60% of the seats assigned to the film with the most daily screenings out of the total seats, a huge increase from the previous year. The increase in the number of days with more than 40% of the seats assigned was also sizable. As a result, while the number of days where the share of seats for the number 1 film was between 20~40% were in the range of 268~285 every year from 2013 to 2015, it showed a serious drop in 2016 to 210, reflecting the aggravating situation for the so-called ‘screen monopoly.’

<Table 29> Annual share in screenings, number of seats, and revenue of Top 3 films

Year	No. 1			No. 2			No. 3			Top 3 Total		
	No. of Screenings	No. of Seats	Revenue	No. of Screenings	No. of Seats	Revenue	No. of Screenings	No. of Seats	Revenue	No. of Screenings	No. of Seats	Revenue
2013	28.1%	33.3%	40.9%	20.3%	21.5%	22.4%	13.6%	13.2%	12.0%	62.0%	68.0%	75.4%
2014	27.9%	33.1%	41.7%	18.9%	20.3%	21.1%	13.9%	13.3%	11.9%	60.7%	66.7%	74.7%
2015	30.0%	35.5%	42.2%	19.2%	20.2%	20.9%	13.6%	13.2%	12.5%	62.8%	68.8%	75.6%
2016	31.6%	37.1%	45.3%	18.0%	18.7%	18.2%	12.1%	11.7%	11.3%	61.8%	67.5%	74.8%
Average	29.5%	34.8%	42.6%	19.1%	20.1%	20.6%	13.3%	12.8%	11.9%	61.8%	67.8%	75.1%

<Table 30> Seat allocation rate of films that recorded most screenings per day

Daily Seat Allocation Rate	2013			2014			2015			2016		
	No. of Days	Share	Accumul ated Share	No. of Day	Share	Accumul ated Share	No. of Days	Share	Accumul ated Share	No. of Days	Share	Accumul ated Share
Over 60%	6	1.6%	1.6%	6	1.6%	1.6%	14	3.8%	3.8%	30	8.2%	8.2%
50%~59.9%	24	6.6%	8.2%	39	10.7%	12.3%	20	5.5%	9.3%	33	9.0%	17.2%
40%~49.9%	48	13.2%	21.4%	38	10.4%	22.7%	53	14.5%	23.8%	68	18.6%	35.8%
30%~39.9%	95	26.0%	47.4%	117	32.1%	54.8%	175	47.9%	71.8%	101	27.6%	63.4%
20%~29.9%	190	52.1%	99.5%	151	41.4%	96.2%	93	25.5%	97.3%	109	29.8%	93.2%
~19.9%	2	0.5%	100%	14	3.8%	100%	10	2.7%	100%	25	6.8%	100%
Total	365	100%		365	100%		365	100%		365	100%	

5) Degree of connection between theater chains and distributors for screen allocation

In order to detect if an advantage exists for screening companies that are also involved in distribution business or have distribution companies as affiliates, the share of seats assigned to films distributed by the 4 major distributors from each multiplex chain by year are shown in the <Table 31>.¹¹⁾ In addition, <Table 32> shows each multiplex chain's yearly share of total seats allocated to films by 4 major distributors. In <Table 33>, the relative ratio (henceforth seat allocation ratio¹²⁾) represents how the extent of seat allocation shown in <Table 31> and <Table 32> compares to the average.

The seat allocation ratio is a relative measure based on number 1, thus the ratio over 1 can be understood as 'more allocation than average.' The <Table 33> shows

the seat allocation ratio for films distributed by Lotte Entertainment reflect a relatively significant difference between multiplex chains. Lotte Cinema, run by the same corporation, allocated much more seats than average to films distributed by Lotte Entertainment, while CGV and Megabox allocated less-than-average number of seats. The seat allocation ratio between Lotte Cinema and Lotte Entertainment was 1.325 in 2013 and 1.301 in 2016, maintaining a level higher than the ratio between other theater chains and distributors. Meanwhile, CGV has allocated little more seats to films distributed by CJ E&M, its affiliate, though it has been a minor difference since 2014 with it decreasing every year.

<Table 31> Share of allocated seats for 4 major distributors from 3 major multiplex chains

	Average				CGV				Lotte Cinema				Megabox				Others			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
CJE	21.4%	19.3%	19.9%	15.3%	24.7%	20.6%	20.4%	15.7%	18.2%	18.3%	19.5%	15.4%	20.3%	18.9%	20.0%	15.0%	17.8%	16.0%	17.4%	13.5%
LotteE	15.7%	13.5%	7.7%	8.2%	13.7%	11.7%	6.7%	7.1%	20.8%	16.9%	9.6%	10.7%	14.2%	13.0%	6.9%	7.2%	11.2%	10.7%	6.1%	6.2%
Showbox	11.9%	7.1%	14.5%	10.9%	11.6%	7.0%	14.5%	10.8%	11.9%	7.1%	14.7%	11.2%	22.8%	7.4%	14.9%	10.9%	10.7%	6.6%	12.3%	9.7%
NEW	14.4%	8.0%	8.7%	7.5%	14.0%	7.6%	8.3%	7.3%	14.5%	8.0%	9.0%	7.5%	22.1%	8.8%	9.1%	7.8%	14.1%	7.8%	8.0%	7.2%

<Table 32> 3 major multiplex chains' share of total allocated seats for 4 major distributors

	Average				CJ E&M				Lotte Entertainment				Showbox				NEW			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
CGV	42.3%	43.3%	42.8%	42.6%	48.9%	46.3%	44.0%	43.6%	36.8%	37.5%	37.7%	36.9%	41.2%	42.6%	42.8%	42.3%	41.1%	41.3%	40.9%	41.7%
Lotte Cinema	29.4%	30.1%	32.2%	31.9%	25.1%	28.6%	31.6%	32.4%	39.0%	37.9%	40.5%	41.5%	29.4%	30.2%	32.6%	32.8%	29.6%	30.1%	33.5%	32.1%
Megabox	20.9%	20.3%	19.4%	20.2%	19.9%	19.9%	19.6%	19.7%	18.9%	19.6%	17.4%	17.6%	22.8%	21.3%	19.9%	20.2%	22.1%	22.5%	20.5%	21.1%
Others	7.4%	6.3%	5.5%	5.3%	6.2%	5.2%	4.8%	4.6%	5.3%	5.0%	4.4%	4.0%	6.6%	5.9%	4.7%	4.7%	7.2%	6.1%	5.1%	5.1%

<Table 33> Seat allocation ratio

	CGV				Lotte Cinema				Megabox				Others			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
CJE	1.156	1.070	1.027	1.022	0.852	0.948	0.981	1.005	0.952	0.980	1.008	0.976	0.832	0.831	0.875	0.882
LotteE	0.870	0.866	0.880	0.864	1.325	1.259	1.258	1.301	0.907	0.965	0.894	0.874	0.714	0.796	0.800	0.755
Showbox	0.974	0.985	1.000	0.991	1.000	1.002	1.012	1.029	1.090	1.050	1.024	1.003	0.896	0.931	0.848	0.885
NEW	0.971	0.955	0.956	0.978	1.007	0.997	1.040	1.007	1.057	1.108	1.052	1.047	0.979	0.976	0.929	0.963

11. While statistics are related to 4 companies mainly distributing Korean films, the result includes seats allocated all films regardless of their country of origin, thus including seats allocated to foreign films distributed by these 4 companies. On the other hand, since this table does not include the statistics of distributors other than the 4 major distributors, seats allocated to films distributed by Hollywood distributors such as 20th Century Fox and Warner Bros. (<The Wailing> and <The Age of Shadows> respectively) are not included.

12. Theaters under the CGV name supplied a total of 408,889,839 seats, and 64,103,517 seats were allocated for films distributed by CJ E&M (15.7% = 64,103,512 ÷ 408,889,839). Meanwhile, the total number of seats supplied by CGV, Lotte Cinema, and Megabox all together was 958,874,879, and 15.3% of them (147,027,027 seats) were allocated to films distributed by CJ E&M. Taking the share of films distributed by CJ E&M in their allocated seats from the total number of seats in all theaters (15.3%) as the average ('1'), the relative ratio of CJ E&M's seat share in CGV theaters is calculated as 1.0223 (15.7%÷15.3%), which is referred to as 'CGV-CJ E&M Seat Allocation Ratio in 2016' in this report. The article 'Reading theaters in numbers' in December 2016 issue of the monthly magazine <Korean Film> covers detailed figures and calculation methods.

C. Independent·Art Films¹³⁾

1) Box office of independent·art films

434 independent·art films were released in 2016, a huge increase from 349 films in 2015. While the number of films increased, admissions dropped slightly (2%) from the previous year. While none of the films achieved a success close to <Whiplash> (1.59 million viewers), the most successful independent·art film in 2015, various films including <Sing Street> (560,000 viewers), <Our Times> (400,000 viewers), and <Carol> (310,000 viewers) exhibited stable success, maintaining the level of total admissions from 2015 with only a slight decrease.

Since the total admissions for independent·art films fluctuate from the results of one or two box office hits, gauging the size of the independent·art films market through yearly admissions tends to be difficult. With <My Love, Don't Cross That River> (3.85 million viewers), the most successful independent·art film in Korean history, along with <Begin Again> (3.43 million viewers), the year 2014 showed an unprecedented number of admissions, but the number dropped in 2015 and 2016. However, 20 films drew more than 100,000 viewers in 2016, showing a generally increasing trend for independent·art box office hits compared to 14 in 2015, 16 in 2014, 6 in 2013, and 6 in 2012.

The share of Korean films in the number of films, num-

ber of viewers and revenue from all independent·art releases in 2016 was surveyed. Out of 434 independent·art releases, 103 of them were Korean films, taking a 23.7% share. From total admissions of 8,142,506, 1,716,294 (21.1%) were for Korean films, and the total revenue of Korean independent·art films was KRW 13,172,954,300 (20.9%), showing a similar percentage to the share of admissions.

In 2016, the most successful independent·art film was <Sing Street>, selling a total of 560,000 tickets, which is a film by director John Carney who directed the 2014 box office hit <Begin Again> (3.82 million viewers), creating a boom of independent·art films once again. As a Korean film, the documentary <Moo-hyun, the Story of Two Cities> took sixth place in admissions out of all independent·art films; the first among Korean films, followed by director CHOI Jeong-yeol's <One Way Trip>, and the animation film <Seoul Station> by director YEON Sang-ho who recorded over 10 million viewers in 2016 with <Train To Busan>. In regards to foreign films, while animation films rated for all audiences topped the rank in 2015, films of various genres and ratings showed positive performance in 2016, including <Our Times> (melodrama, 15 and above), <Carol> (drama, 18 and above), <Rock Dog> (animation, all audiences), and <I Am a Hero> (action, 18 and above).

<Table 34> Independent·art film releases and admissions for last 5 years

Category		2012	2013	2014	2015	2016
No. of Released Films	All	631	905	1,095	1,176	1,520
	Independent·art films	232	333	367	349	434
	Share of independent·art films (%)	36.8	36.8	33.5	29.7	28.6
National Admissions	All	194,892,244	213,324,223	215,056,852	217,288,819	217,024,355
	Independent·art films	3,692,507	3,723,352	14,283,284	8,307,266	8,142,506
	Share of independent·art films (%)	1.9%	1.7%	6.6%	3.8%	3.8%

※ 2014 edition of Korean Film Almanac was referenced for 2010-2013. Starting from 2014, the official data from KOBIS was applied.

13. Films that have applied to the Korean Film Council for recognition as independent or art films and have been recognized are categorized as 'independent films' and 'art films' respectively.

<Table 35> Share of Korean films in independent-art films released in 2016

Number of Films			Admissions			Sales Revenue (1000 KRW)		
All	Korean	Share	All	Korean	Share	All	Korean	Share
434	103	23.7%	8,142,506	1,716,294	21.1%	62,890,022	13,172,954	20.9%

<Table 36> Top 10 independent-art film admissions, 2016

Rank	Title	Release Date	Ratings	Country of Origin	No. of screens	Admissions	Sales Revenue (KRW 1,000)	Distributor
1	Sing Street	2016-05-19	15+	Ireland	494	560,790	4,489,637	Isu C&E
2	Our Times	2016-05-12	15+	Taiwan	176	409,537	3,314,491	AUD
3	Carol	2016-02-04	18+	US	221	319,357	2,645,756	CGV ARTHOUSE
4	Rock Dog	2016-09-14	All	US	399	234,387	1,826,269	Isu C&E
5	I Am a Hero	2016-09-21	18+	Japan	263	212,599	1,806,714	A Film Company Big Co., Ltd.
6	Moo-hyun, the Story of Two Cities	2016-10-26	15+	Korea	66	192,668	1,511,430	Momentum Entertainment
7	One Way Trip	2016-03-24	15+	Korea	494	189,221	1,485,342	Atnine Film Co., Ltd.
8	The Magical Brush	2016-05-04	All	China	460	172,370	1,294,829	A Film Company Big Co., Ltd.
9	Norm of the North	2016-07-27	All	US	332	161,196	1,176,116	Isu C&E
10	Seoul Station	2016-08-17	15+	Korea	440	147,031	1,162,471	Next Entertainment World Co.,Ltd (NEW)

<Table 37> Top 10 independent-art film admissions (Korean films), 2016

Rank	Title	Director	Release Date	Rating	No. of Screens	Sales Revenue (KRW 1,000)	Admissions	Produced by	Distributed by
1	Moo-hyun, the Story of Two Cities	JEON In-hwan	2016-10-26	15+	66	1,511,430	192,668	Production Committee for Moo-hyun, the Story of Two Cities, M&CF	Momentum Entertainment
2	One Way Trip	CHOI Jeong-yeol	2016-03-24	15+	494	1,485,342	189,221	Bori Pictures	Atnine Film Co., Ltd.
3	Seoul Station	YEON Sang-ho	2016-08-17	15+	440	1,162,471	147,031	Studio Dadashow, Finecut	Next Entertainment World Co.,Ltd (NEW)
4	Spy Nation	CHOI Seung-ho	2016-10-13	15+	152	1,128,388	143,648	The Korea Center for Investigative Journalism	Atnine Film Co., Ltd.
5	The Bacchus Lady	LEE Jae-yong	2016-10-06	18+	317	884,865	121,444	Korea Academy of Film Arts, Mungkeul Pictures	CGV ARTHOUSE
6	Bling	LEE Gyeong-ho, LEE Won-jae	2016-08-10	All	255	663,075	89,615	DigiArt Production Co., Ltd.	Kidari ENT
7	Dino X Expedition	LEE Dong-hee	2016-05-04	All	348	642,526	83,319	MBC	Isu C&E
8	Worst Woman	KIM Jong-kwan	2016-08-25	15+	199	639,959	80,754	Indie Story	CGV ARTHOUSE
9	The Net	KIM Ki-duk	2016-10-06	15+	381	426,185	56,541	A KIM KI-DUK film	Next Entertainment World Co.,Ltd (NEW)
10	Obedience	KIM Dong-min, LEE Ju-hun	2016-11-17	All	104	384,957	54,456	CBS	CBS, Andamiro Films

<Table 38> Top 10 independent-art film admissions (foreign films), 2016

Rank	Title	Release Date	Sales Revenue (KRW 1,000)	Admissions	Country of Origin	No. of Screens	Distributor
1	Sing Street	2016-05-19	4,489,637	560,790	Ireland	494	Isu C&E
2	Our Times	2016-05-12	3,314,491	409,537	Taiwan	176	AUD
3	Carol	2016-02-04	2,645,756	319,357	US	221	CGV ARTHOUSE
4	Rock Dog	2016-09-14	1,826,269	234,387	US	399	Isu C&E
5	I Am a Hero	2016-09-21	1,806,714	212,599	Japan	263	A Film Company Big Co., Ltd.
6	The Magical Brush	2016-05-04	1,294,829	172,370	China	460	A Film Company Big Co., Ltd.
7	Norm of the North	2016-07-27	1,176,116	161,196	US	332	Isu C&E
8	Foosball	2016-09-07	1,112,430	142,977	Argentina	294	Korea Screen Inc., Wide Release
9	Florence Foster Jenkins	2016-08-24	1,079,970	139,717	UK	382	Isu C&E
10	The Wild Life	2016-09-07	1,071,533	139,392	Belgium	329	A Film Company Big Co., Ltd.

2) Recognition of independent-art films

In 2016, a total of 798 films (711 full-length, 87 short) applied for recognition as art films, and a total of 79 films (75 full-length, 4 short) applied for recognition as independent films. Out of 798 applicants for art films, 695 (87.1%) of them were recognized as art films while 103 films (12.9%) were not. 238 films were recognized as art films through evaluation, and 457 were recognized automatically (21 supported by the Korean Film Council, 254 from countries with less than 1% share, 36 animations, 87 shorts,¹⁴⁾ and 48 documentaries). Amo-

ng 79 films that applied for recognition as independent films, 73 (92.4%) were recognized with 6 (7.6%) failing to receive the recognition. Out of those recognized, 60 were recognized through evaluation and 13 were recognized automatically. 4 short films applied, and only one of them was not recognized. The share of films re-released in 2016 was high among films that applied for recognition as art films. Some of these films were released as general films, but were recognized as art films in their re-release, causing criticism that they are taking

<Table 39> Application and recognition status of independent-art films in 2016

Art Films			Independent Films		
Not Recognized		103	Not Recognized		6
Recognized	From Evaluation	238	Recognized	From Evaluation	60
	Automatic	457		Automatic	13
	Production Support	21	Subtotal		73
	Countries with 1% Share	254	Total		79
	Animations	36			
	Short Films	87			
	Documentaries	48			
	Release Support	11			
Subtotal		695			
Total		798			

14. Based on the 「Promotion of the Motion Pictures and Video Products Act」, ‘short films’ refer to films with running time of less than 40 minutes.

screening opportunities away from newly released independent art films.

In the case of independent films, many applied for recognition as art films at the same time. Among the applicants for independent films, 60 of them applied for recognition as art films at the same time, leaving just 19 that did not. 50 of them were recognized as art films and 10 were not, resulting in approximately 83% films recognized as independent films also received art film

recognition. On the contrary, among art film applicants, 739 did not apply for independent film recognition. Currently, art films and independent films are being defined under policy and the boundary between them is unclear, leading to an ambiguous distinction between the genres. While it is not necessary or required to classify independent art films separately, more people are insisting on a need for a support policy and rules that reflect their different characteristics.

<Table 40> Cross application for independent art films

Not Applied for Art Film Recognition	Not Recognized as Independent Film	2				
	Recognized as Independent Film	17				
Applied for Art Film Recognition	Recognized as Independent Film	7	49			
	Not Recognized as Independent Film	3	1	644	95	
		Not Recognized as Art Film	Recognized as Art Film	Recognized as Art Film	Not Recognized as Art Film	
		Applied for Independent Film Recognition		Not Applied for Independent Film Recognition		

D. Digital Online Market Status

Total annual revenue of the digital online market in 2016 was KRW 412.5 billion, up 23.2% on 2015. Sales of IPTV and digital cable TV (henceforth TV VOD) continued to increase. Having previously garnered attention with the arrival of a new platform, the revenue of the internet VOD market also increased from the previous year, helping the growth rate of the digital online market to rebound.

Once again IPTV and digital cable TV grossed the highest amount in 2016. TV VOD earned KRW 334.7 billion, representing 81.1% of the market. Internet VOD sales were KRW 67.9 billion, increasing by 16.7% from the previous year to represent 16.5% of the market, which is slightly lower than statistics for 2015. Packaged products grossed KRW 9.9 billion representing a 2.4% share, exhibiting a sizeable drop.

<Table 41> Total revenue of the digital online market

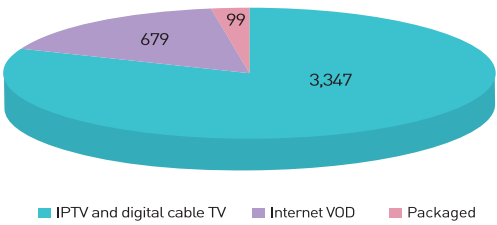
(Unit: KRW 100 million)

Category	2012		2013		2014		2015		2016	
	Revenue	YoY growth (%)	Revenue	YoY growth (%)	Revenue	YoY growth (%)	Revenue	YoY growth (%)	Revenue	YoY growth (%)
IPTV & Digital Cable	1,310	44.0	1,737	32.6	2,254	29.7	2,609	15.7	3,347	28.3
Internet VOD	618	23.4	729	18.0	499	-31.5	582	16.7	679	16.7
Packaged products	230	-22.8	210	-8.7	218	3	158	-27.4	99	-37.3
Total	2,158	26.3	2,676	24.0	2,971	11.0	3,349	12.7	4,125	23.2

※ Internet VOD revenue estimates include revenue estimates for N-screen and mobile services.

<Figure 3> Market status by platform

(Unit: KRW 100 million)



1) IPTV and digital cable TV

As of December 2015, 11.36 million households¹⁵⁾ subscribed to IPTV, and 7.71 million households¹⁶⁾ subscribed to digital cable TV as of November 2016. Although the number of IPTV subscribers is 17.4% higher than the 9.67 million of the previous year, its increasing trend is beginning to slow down.

<The Wailing> was the highest grossing TVVOD film in 2016. While it was the eighth most successful box office hit with approximately 6.87 million viewers in theaters,

<The Wailing> continued to gain popularity with the success of TV entertainment shows featuring parodies of the film and its quotes, as well as the various interpretations of its ending, as it topped the weekly chart for 7 consecutive weeks in the TV VOD market. Having attracted the most number of viewers in theaters during 2016, <Train To Busan> also recorded the highest views (approx. 1.24 million) in the TVVOD market. With revenue of KRW 4.4 billion and 4.3 billion respectively, <Inside Men> and <Inside Men: The Original> both

<Table 42> Sales revenue for IPTV and digital cable TV market

Year	2012	2013	2014	2015	2016
Amount (KRW 100 million)	1,310	1,737	2,254	2,609	3,347
YoY growth (%)	44.0	32.6	29.7	15.7	28.3

<Table 43> Total film rankings in revenue for IPTV and digital cable TV in 2016

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	The Wailing	78.9	1,179,372
2	Train To Busan	66.0	1,244,380
3	Luck-Key	55.7	767,560
4	A Violent Prosecutor	54.3	1,088,020
5	Inside Men	44.7	602,269
6	Zootopia	44.4	701,609
7	Inside Men: The Original	43.7	1,544,077
8	Tunnel	43.6	644,424
9	The Handmaiden	37.9	699,991
10	Operation Chromite	34.6	733,820

15. 「Broadcast Industry Status Report 2016」 (Ministry of Science, ICT and Future Planning/Korea Communications Commission, December 2016)
16. 「Subscription Status of Cable TV, November 2016」 (Korea Cable TV Association, February 2017)

ranked in the top 10. As a so-called ‘director’s cut’ of <Inside Men>, <Inside Men: The Original> was released on December 31, 2015 to draw 1.92 million viewers, and continued its popularity showing a better performance in the TV VOD market.

Meanwhile, every film in the top 10 list was Korean film, except for <Zootopia> which recorded revenue of KRW 4.4 billion. Among foreign films, along with animation films such as <Zootopia> and <Kung Fu Panda 3>, ac-

tion blockbuster films such as <Deadpool>, <Jason Bourne>, and <X-Men: Apocalypse> topped the chart.

When comparing the highest grossing films of 2015 and 2016, while 3 films including <Veteran> recorded revenue of over KRW 5 billion and 2 films including <Northern Limit Line> reached a score between KRW 4 billion and 5 billion in 2015, the respective numbers were 4 and 4 in 2016, showing a general increase in revenue.

<Table 44> Korean film rankings in revenue for IPTV and digital cable TV in 2016

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	The Wailing	78.9	1,179,372
2	Train To Busan	66.0	1,244,380
3	Luck-Key	55.7	767,560
4	A Violent Prosecutor	54.3	1,088,020
5	Inside Men	44.7	602,269
6	Inside Men: The Original	43.7	1,544,077
7	Tunnel	43.6	644,424
8	The Handmaiden	37.9	699,991
9	Operation Chromite	34.6	733,820
10	The Himalayas	32.1	505,169

<Table 45> Foreign film rankings in revenue for IPTV and digital cable TV in 2016

Rank	Title	Sales Revenue (KRW 100 million)	Views
1	Zootopia	44.4	701,609
2	Deadpool	27.5	515,571
3	Jason Bourne	24.4	347,676
4	Kung Fu Panda 3	24.2	402,172
5	X-Men: Apocalypse	24.1	356,102
6	Independence Day: Resurgence	22.0	301,355
7	Now You See Me 2	20.3	356,643
8	The Legend of Tarzan	19.9	237,635
9	Warcraft	19.0	295,165
10	The Good Dinosaur	18.1	255,833

2) Online VOD

Although the revenue for special type OSP (web storage services) decreased in the internet VOD market, the revenue increase for common type OSP was notable, showing an even higher increase than in 2015. The revenue share of special type OSP shrunk to 21.4%. The increase in common type OSP sales is presumably due to the effect from an influx of various OTT services in 2016 and the growth in the usage of combined mobile products and SVOD products.

The top 10 earners of Naver's N Store, a mobile and desktop based N screen service, shows stronger results from films rated 18 and above such as <The Handmaiden>, <Inside Men: The Original>, and <A Man and A Woman>, compared to the TV VOD market. Animations like <Zootopia> and <Kung Fu Panda 3> were successful among foreign films as they did in the TV VOD market. 2015 releases such as <The Intern> and

<Inside Out> showed high revenue in 2016, reflecting the demand for older films by users of digital online market. Meanwhile, the N Store rank differed from TV VOD from the fact that it included romance films such as <Our Times> and <Me Before You>, seemingly as these genres are less affected by the screen environment compared to blockbuster films.

Meanwhile, based on the Internet VOD data submitted by companies that cooperated, the ratio between the sales revenue of TVOD (one-time purchase) and SVOD (monthly subscription) within the revenue of common type OSP was approximately 29:71. It is the result of the increase in SVOD service users as OTT services provided by network providers actively pushed combined mobile monthly subscription products, along with the influx of OTT services based on SVOD such as Watcha Play and Netflix.

<Table 46> Internet VOD market sales revenue status

Year	2011	2012	2013	2014	2015	2016
Amount (KRW 100 million)	501	618	729	499	582	679
Common Type OSP (KRW 100 million)	-	204	339	291	371	534
Special Type OSP (KRW 100 million)	-	414	390	208	211	145
YoY growth (%)	87.6	23.4	18.0	-31.5	16.7	16.7

<Table 47> N-STORE: film rankings in 2016

<Korean Film Rank>		<Foreign Film Rank>	
Rank	Title	Rank	Title
1	The Handmaiden	1	Zootopia
2	Inside Men: The Original	2	The Intern
3	Train To Busan	3	Our Times
4	Inside Men	4	Kung Fu Panda 3
5	A Violent Prosecutor	5	Inside Out
6	Luck-Key	6	Deadpool
7	A Man and A Woman	7	Now You See Me 2
8	Tunnel	8	Secret Life of Pets
9	The Wailing	9	Me Before You
10	DONGJU; The Portrait of A Poet	10	The Martian

3) Packaged products market

The packaged products market is on a continuously decreasing trend. Animation films such as <Zootopia> and <The Good Dinosaur> and Hollywood blockbuster series such as <Star Wars: The Force Awakens> and <Captain America 3: Civil War> recorded high sales figures. Among Korean films, low budget films that garnered attention such as <DONGJU; The Portrait of A Poet> and <Spirits’ Homecoming> joined the rank along with box office hits such as <Train To Busan>. Since the means of possessing beloved films have expanded from packaged products such as DVDs and Blu-rays to TV VOD and internet VOD platforms, the decreasing trend of the market size for packaged products is inevitable.

While the growth of the digital online market seemed to slow down from 2014, it is back on the rising trend thanks to continued growth of TV VOD market and the growth of the internet VOD market from the influx of new OTT services.

With the stabilization of simultaneous screening services of current theater releases, the TV VOD market continues to lead the revenue increase in the digital online market, and provides more purchasing factors for its subscribers by providing collectors VOD and additional contents such as extended editions. Most of the TV VOD revenue comes from VOD services in the form of one-time purchases, but the revenue and the number of subscribers for monthly subscriptions services are steadily rising.

<Table 48> Market size of packaged products

Year	2012	2013	2014	2015	2016
Amount (KRW 100 million)	230	210	218	158	99
YoY growth (%)	-22.8	-8.7	3	-27.4	-37.3

SVOD services showed higher performances in the internet VOD market. The number of paid subscribers for Pooq exceeded approximately 530,000 as of December 2016, and the number of subscribers for Watcha Play which started its service in early 2016 exceeded 640,000¹⁷⁾ after one year, reflecting the effort by OTT providers to secure subscribers. However, among subscribers of OTT services, few are expected to regularly purchase paid VOD products.¹⁸⁾ While various strategies are required for continued purchase activity from OTT service subscribers, the type of effect <Okja>, a film by director BONG Joon-ho to be released exclusively on Netflix this summer, will have on the digital online market is highly anticipated.

The number of websites that provide special type OSP (web storage service), which used to be the major path for illegal online distribution, shrunk to 57 as of December 2016 from 294 in 2012, also showing continued decrease in their sales revenue. However, illegal distribution of films is still rampant through torrents, overseas streaming websites, and link websites, damaging the market for legal contents. In order to minimize illegal distribution of contents, the whole market has to show interest and endeavor in response, along with improving awareness for the use of legal content. In addition, as precise comprehension and analysis of online distribution data becomes the basis for pioneering new paths for the digital online market, the network of data in ‘KOBIS’ should be expanded, completing the development of the new system.

17. <One year anniversary of Watcha Play... Its subscribers exceed 640,000>, ZDNet Korea, February 1, 2017.
18. Among the users of OTT services, 4.7% of them use monthly subscriptions or paid services that require extra charge. 「Results from the evaluation of the competition environment in the broadcasting market in 2016」, Korea Communications Commission, December 2016.

E. Exports

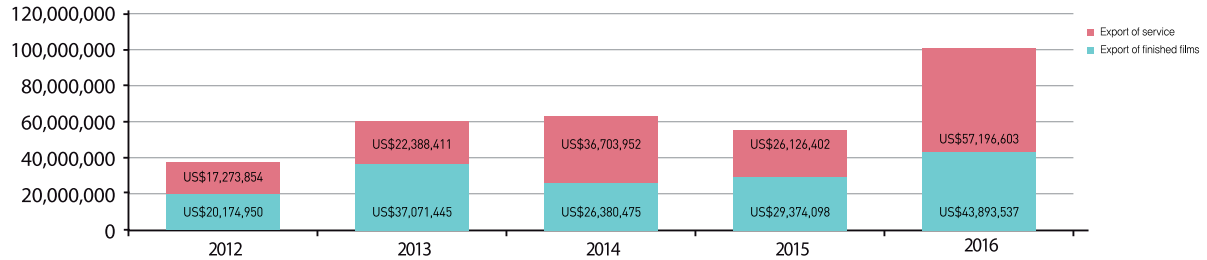
The export amounts of Korean films in 2016 reached their highest level in 10 years.¹⁹⁾ The success of <Train To Busan> in the overseas market has towed the overall increase in export amounts. Supported by the positive feedback it received at Cannes, the film was sold to a total of 156 countries including Asian regions such as Japan, China and India, as well as France, US, Canada, Germany and South American nations. Other elements that helped the growth included successful exports of

recent works by directors with international name value like PARK Chan-wook and NA Hong-jin, and diversified international sales platforms. It was a year where Korean films showed their power with diverse line-ups of various genre films. The service exports amount also reached their highest point since 2011. Along with location shooting of international films in Korea, technology service contracts signed for Chinese blockbusters contributed to the increase.

<Table 49> Trend for annual export tallies for film products and services, 2012-2016 (Unit : USD)

Year	2012	2013	2014	2015	2016
Amount of exports for film products	20,174,950	37,071,445	26,380,475	29,374,098	43,893,537
Amount of exports for services	17,273,854	22,388,411	36,703,952	26,126,402	57,196,603
Total amount of exports	37,448,804	59,459,856	63,084,427	55,500,500	101,090,140
YoY growth rate	7.4%	58.8%	6.1%	- 12.0%	82.1%

<Figure 4> Trend for annual export amount in 2012-2016



1) Exports of Film Products

The total amount of exports for Korean films was USD 43,893,537 in 2016, increasing 49.4% from the previous year. Film exports have grown consistently since 2010 and the amount has reached over USD 40 million for the first time since 2005. Film exports consist of actual contract amounts signed in film markets and other channels during that year, in addition to the extra revenue newly generated from previously sold films. Con-

tract amounts in 2016 were USD 30,106,468, almost doubling from the year before. Overages, or the additional revenue amount reported in 2016 reached USD 13,787,069, exceeding the USD 12,550,763 total of 2015, confirming that the export market has reached a stable level, unlike the past when one or two notable films were the main source of revenue.

19. In 2005, film exports set a record of USD 75,994,580, a figure fueled by the growth in exports to the Japanese market.

Excluding the overlapping contracts where one film was sold to several areas, the total number of Korean films sold overseas in 2016 amounted to 679, rising slightly from the year before, while the average export amount was USD 64,644 which is nearly 2.5 times the amount from 2015. The most prominent trend observed in 2016's export result is the surge of global on-line platform ventures as the buyers of Korean films. With the sales of <Pandora> and <The Handmaiden> to Netflix and Amazon Studios respectively, average export amounts per film spiked. Such sales of blockbuster copyrights to a single enterprise is not common and therefore their future roles should be observed.

Export results by area still shows a strong trend in Asia, not only in the traditional trade partner countries of China and Japan but the share of Southeast Asian nations of Singapore, Philippines and Malaysia have also grown. Despite the increase in export amounts their total share ratio has somewhat decreased, which is a positive sign indicating that the concentration on the Asian region is dispersing as the export market is diversifying. Export amounts to Europe more than doubled. This result was possible due to <Train to Busan> as well as films like <The Handmaiden> and <The Wailing> that were invited to the main sections of the Cannes Film Festival and all produced by directors known to Europe which were well received by local buyers. Also

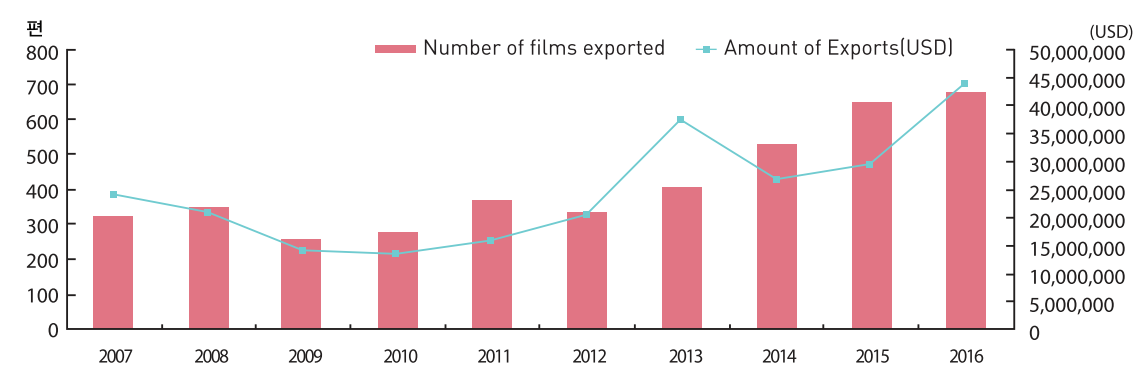
<Table 50> Trends for export tallies: Korean films in 2007-2016

(Unit : USD)

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total amount of exports	24,396,215	21,036,540	14,122,143	13,582,850	15,828,662	20,174,950	37,071,445	26,380,475	29,374,098	43,893,537
Contract amount (MG+Flat+others)	12,283,339	20,541,212	13,930,262	13,166,280	14,815,146	14,170,390	34,156,895	18,636,519	16,823,335	30,106,468
Additional revenue (Overage)	12,112,876	495,328	191,881	416,570	1,013,516	6,004,560	2,914,550	7,743,956	12,550,763	13,787,069
YoY growth rate (%)	-	-13.77%	-32.87%	-3.82%	16.53%	27.46%	83.7%	-28.8%	11.3%	49.4%
Number of films exported*	321	361	251	276	366	331	403	529	650	679
average amount of exports **	38,266	56,901	55,499	47,704	40,479	42,811	84,756	35,230	25,882	64,644

* Overage films are not included in the number of films exported.
** Average amount of exports = Contract Amount / Number of films exported

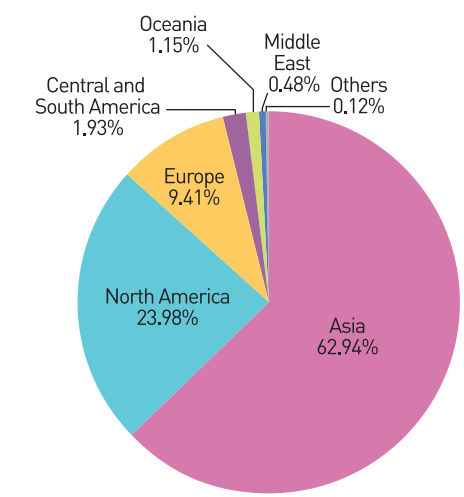
<Figure 5> Trend for annual export amount: Number of Korean films in 2007-2016



<Table 51> Export tallies by region in 2014-2016

Region	Amount of exports (USD)						YoY Growth rate
	2014	Share (%)	2015	Share (%)	2016	Share (%)	
Asia	20,866,417	79.1%	22,958,571	78.2%	27,624,619	62.9%	20.3%
North America	3,095,044	11.7%	4,448,168	15.1%	10,524,496	24.0%	136.6%
Europe	1,752,881	6.6%	1,237,665	4.2%	4,130,957	9.4%	233.8%
Central and South America	306,223	1.2%	309,200	1.1%	847,820	1.9%	174.2%
Oceania	122,630	0.5%	262,785	0.9%	504,645	1.1%	92.0%
Middle East	81,100	0.3%	54,000	0.2%	210,500	0.5%	289.8%
Others	145,632	0.6%	103,709	0.4%	50,500	0.1%	-51.3%
Total	26,369,927	100%	29,374,098	100%	43,893,537	100%	49.4%

<Figure 6> Share of Korean films exports by region in 2016



growth in Southeast Asia, such trends are expected to continue. For the last decade, exports to North America have grown consistently while the trend is volatile in Europe. It is interesting to see a stable amount of sales in North America regardless of the conditions in the Korean film market while the European region is affected by what kind of Korean films are exported in that year.

Among the ten major national importers of Korean films, the US has topped the list. Export amounts to the US were USD 9,614,673, boosted by the contract of <Pandora> and <The Handmaiden> signed by online platform entities as previously mentioned. Other genre films such as <Train To Busan>, <The Age of Shadows> and <Tunnel> have exhibited stable sales as well. Korean film export to China that previously set a new record every year were USD 7,037,540 this year, a 24% year-on-year decrease, exchanging its place with the US. China's share of export amounts also decreased and an analysis across multiple levels is necessary to investigate the root cause. However it should be noted that the loss in exports to China was mitigated by exports to Hong Kong and Taiwan, with the entire Chinese speaking region still taking up more than 30% of the total this year.

Although directly distributed films performed well in Japan and this year's blockbusters including <Train To Busan> and <The Wailing> were sold at high prices, exports to Japan remained at USD 4,314,248, dropping 13% from last year. It should be noted that France has

these films were genre films displaying the unique colors of their directors and equipped with commercial appeal. Their success in the domestic market also encouraged further exports. Sales in Central and South America and the Middle East have shown great increase this year but as volatile regions their market opportunities need to be evaluated over time.

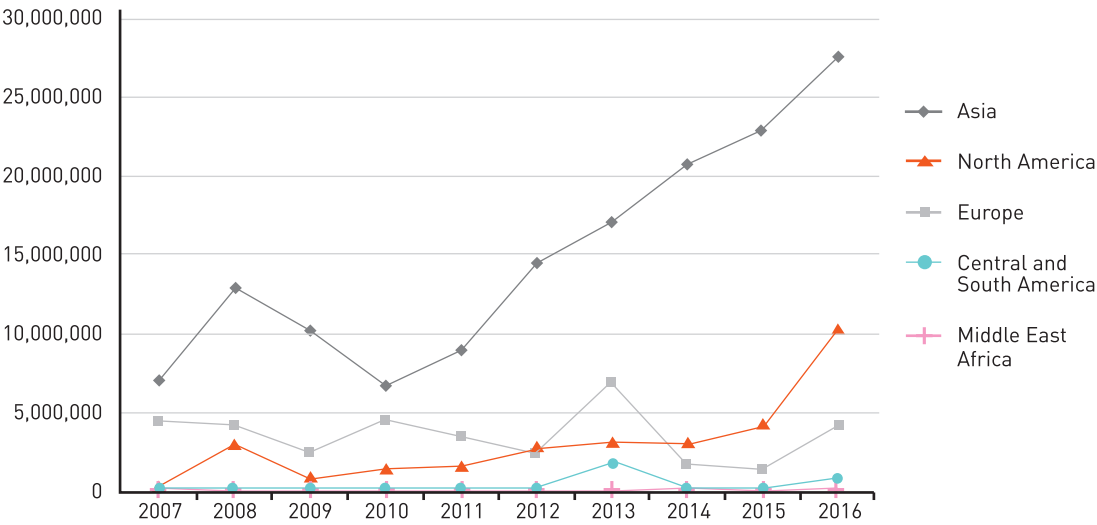
Yearly Korean film export trends showed consistent growth in the Asian region. Although the Chinese market share has somewhat decreased it still accounts for a large portion of the total. Along with continuous

entered the list this year, thanks to the films applauded in film festivals in Europe.

Below is a comparison of copyright exports signed this year based on different right types. Against the amount in 2015, the increase of 123.9% in secondary rights and 74.8% increase in remake copyright sales are prominent. As the growth of online platforms like Netflix and Amazon stabilize and domestic market also actively engage with these entities, the line separating export plat-

forms from the regions is deteriorating. Countries purchasing remake rights are also expanding from the previous main players of US, China and India to other countries including Southeast Asia. The sales of all rights as a package deal including various types of rights too have grown 59.2% year-on-year. Export amounts of theater release rights have also grown 13.3% although its share has fallen.

<Figure 7> Trend for annual export tallies of Korean films by region in 2007-2016



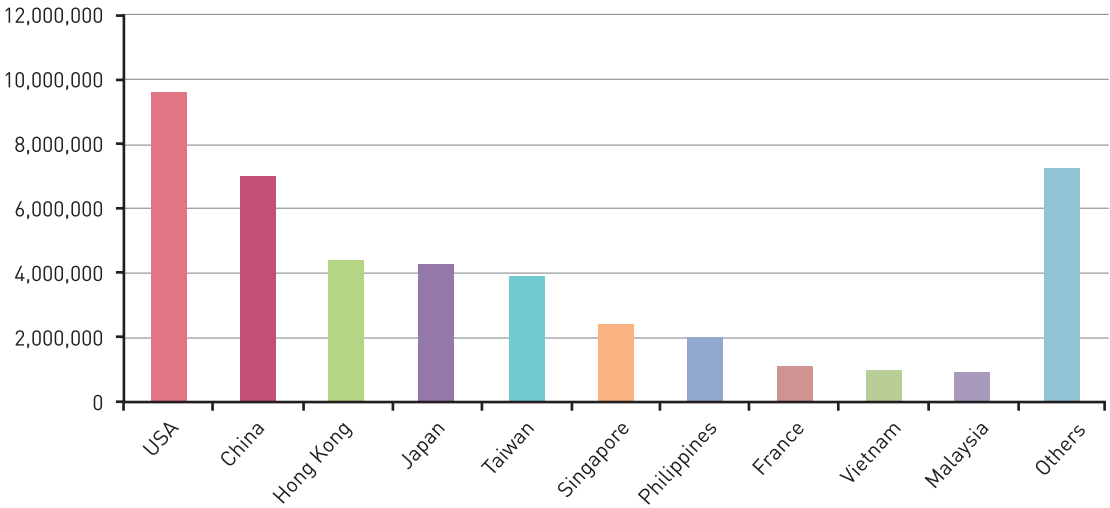
<Table 52> Korean film export tallies to 10 major countries in 2015 and 2016

Country	2015		2016		YoY amount of exports growth
	Amount of exports (USD)	Share	Amount of exports (USD)	Share	
US	4,428,168	15.1%	9,614,673	21.9%	117.1%
China	9,254,539	31.5%	7,037,540	16.0%	-24.0%
Hong Kong	1,967,937	6.7%	4,408,203	10.0%	124.0%
Japan	4,956,355	16.9%	4,314,248	9.8%	-13.0%
Taiwan	1,725,779	5.9%	3,931,811	9.0%	127.8%
Singapore	515,700	1.8%	2,422,395	5.5%	369.7%
Philippines	851,600	2.9%	1,941,235	4.4%	128.0%
France	264,785	0.9%	1,114,731	2.5%	321.0%
Vietnam	965,104	3.3%	985,977	2.2%	2.2%
Malaysia	289,000	1.0%	889,868	2.0%	207.9%
Others	4,399,678	15.0%	7,232,856	16.5%	64.4%
Total	29,374,098	100.0%	43,893,537	100.0%	49.4%

※ Germany and Thailand, which were in the 2015 top 10 countries, did not make it on the top 10 list this year.

<Figure 8> Korean film export tallies to 10 major countries in 2016

(Unit : USD)



<Table 53> Rights type comparison of exported Korean films: 2015 vs. 2016

Type of Rights	2015		2016		YoY Growth Rate
	Amount (USD)	Share	Amount (USD)	Share	
All Rights	10,580,050	62.9%	16,842,920	55.9%	59.2%
Secondary Rights	5,245,621	31.2%	11,742,759	39.0%	123.9%
Remake	635,000	3.8%	1,110,000	3.7%	74.8%
Theater Release Rights	362,664	2.2%	410,789	1.4%	13.3%
Total	16,823,335	100.0%	30,106,468	100.0%	79.0%

* 'All Rights' partially includes contracts for conditional rights.
** Secondary Rights include various type of rights such as rights on video, DVD/Blu-Ray, VOD, Internet, PPV, and rights for in-flight entertainment
*** This analysis on different export related rights types is only subject to sales earned at the time (MG + Flat and others), which excludes overage revenues. Therefore the numbers differ from <Table 52> and <Table 53>, which are based on the total export amount.

2) Export of services²⁰⁾

Exports of media related technical services in 2016 can be summarized with VFX contracts for Chinese blockbusters and local shooting of Hollywood films. As a result, service exports amounted to a total of USD 57,196,603, the highest ever since the survey started in 2011. Technical services exports in particular have grown twice as much from last year at USD 38,613,215. Several original productions and web dramas such as <Okja> and <Sense 8 season 2> by online platform en-

tities were filmed on-location this year, while there were fewer Chinese films shot in Korea compared to the previous year.

In 2016, the total contract amount for Korea's media related technology services, excluding location shooting of international films, was USD 38,613,215, an increase of 80.7% from 2015 with the number of contracts rising from 30 to 40 instances. Contract amounts per film also

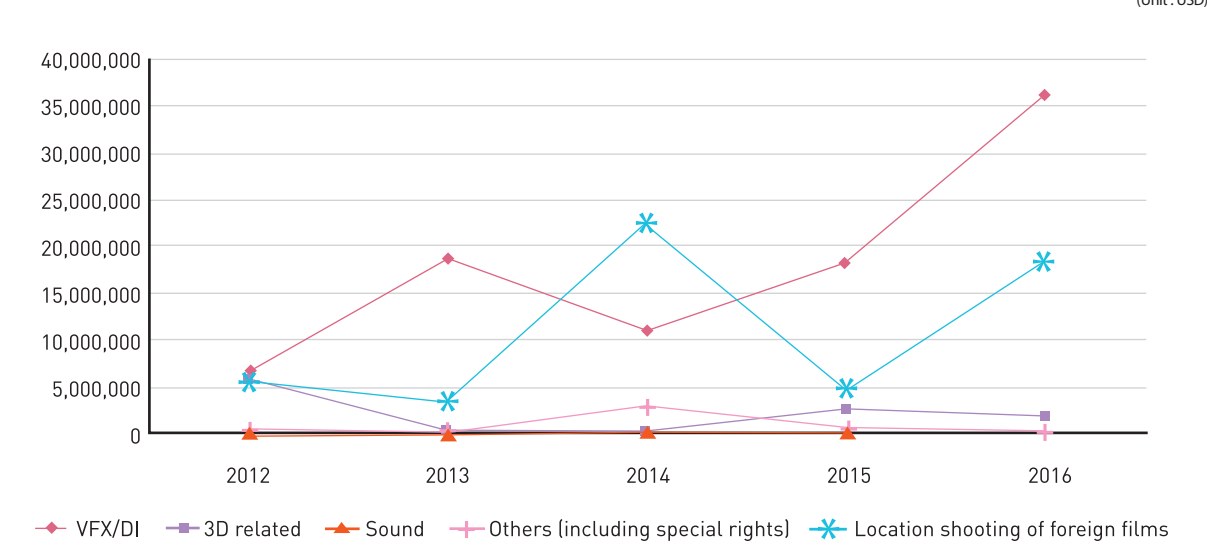
20. Export of services figures were aggregated from five service sectors that generated international sales in 2016 (VFX/DI, 3D-3D Converting, Sound Mixing, Others, Location Shooting for Foreign Films) involving 9 companies. For location shooting of foreign films, the data from the Korean Film Council, Seoul Film Commission and Busan Film Commission was used to calculate the total amount charged to foreign films. In order to enhance the accuracy of the data, companies that are suspected to have made sales but did not disclose specific amounts were excluded from this analysis.

<Table 54> Contract amounts of Korean film services in overseas markets, 2012-2016

Category	2012	2013	2014	2015	2016
VFX·DI	6,763,300	18,845,429	10,995,259	18,179,820	36,096,838
3D related	5,460,000	-	-	2,541,312	1,884,117
Sound	51,700	89,000	102,600	54,000	231,400
Other (Special effects, etc.)	225,570	16,500	2,944,950	597,373	400,860
location service for international films in Korea*	5,149,284	3,472,483	22,661,143	4,753,897	18,583,388
Total	17,649,854	22,423,412	36,703,952	26,126,402	57,196,603

* The amount charged in Korea when foreign films are shot within South Korean territory.

<Figure 9> Trend of contract amounts for Korean film services in overseas markets, 2012-2016



increased, indicating a continuing trend of contracts concentrated on Chinese blockbusters. When assessed by category, contract amounts of 'other section' including sound engineering has decreased while the contract amounts for VFX·DI has gone up. This is due to the large scale expansion of VFX·DI sector in China. It is notable that international contracts for 3D and VR services from the other category have become active compared to last year when it was almost nonexistent, although their share of the total is still minor.

When assessed by region, contracts for films produced by Chinese speaking countries (China, Hong Kong) have taken up more than 99% of the collected data. Not only was the region dominant in terms of amount, but of the 40 contracts reported, 38 were sales made to

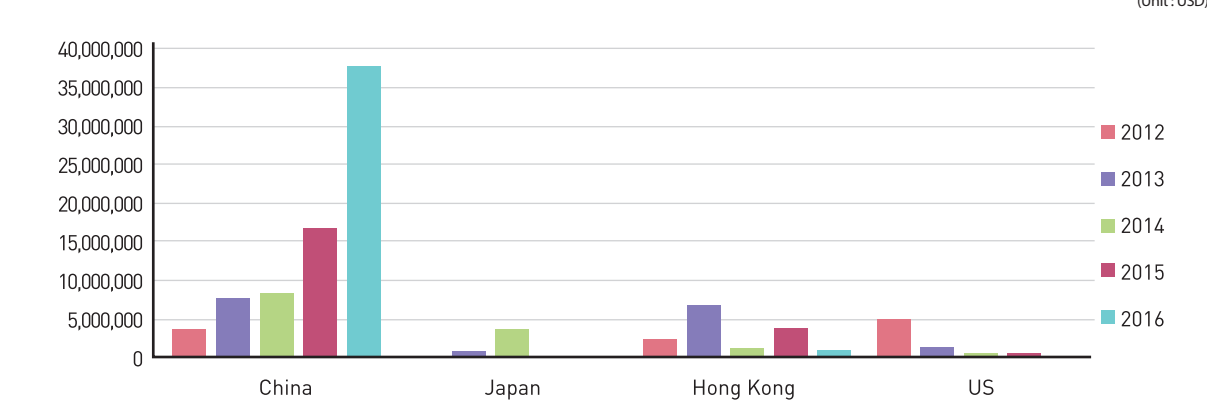
China. Since the report has started in 2012, the share of other countries has consistently decreased and exports of technology services are becoming more dependent on China. While exports to China continue to rise to accommodate their increasing demand for content, the market has failed to diversify with partnership still restricted to Chinese-speaking regions only.

The total amount of contracts for foreign films shooting on-location in Korea was USD 18,583,388. With the shooting of online platforms' original productions <Okja> and <Sense 8: Season 2>, the amount has increased by more than USD 13,800,000 from the previous year. The number of films reported to be filmed in Korea also increased 64% with 41 this year, compared

<Table 55> Contract amounts for media related Korean technical services in 2012~2016: By region (Unit : USD)

Region	Country	2012		2013		2014		2015		2016	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Asia	China	3,642,180	29.10%	7,519,493	39.70%	8,398,734	59.80%	17,023,565	79.60%	37,634,215	97.46%
	Hong Kong	2,190,000	17.50%	6,849,346	36.10%	1,185,000	8.40%	3,754,940	17.60%	952,000	2.47%
	India	0	0	0	0	0	0	100,000	0.50%	0	0.00%
	Japan	28,575	0.20%	1,004,100	5.30%	3,632,303	25.90%	0	0	0	0.00%
	Other	123,490	1.00%	27,000	0.10%	70,200	0.50%	0	0	27,000	0.07%
North America	US	5,075,325	40.60%	1,224,990	6.50%	454,667	3.20%	472,000	2.20%	0	0.00%
Europe		-	-	2,326,000	12.30%	301,905	2.10%	22,000	0.10%	0	0.00%
Oceania	Australia	1,441,000	11.50%	-	-	-	-	-	-	0	0.00%
Total		5,860,755	100.00%	18,950,929	100.00%	14,042,809	100.00%	21,372,505	100.00%	38,613,215	100.00%

<Figure 10> Trend of contract amounts for Korean film service sector in 2012-2016: By country



to 37 in 2014, and 25 in 2015.

The US held the highest market share by region at 91.3% by shooting a total of 10 films in Korea, China, who topped the list last year filmed a total of 13 in Korea which was the highest in terms of number of films but the total amount fell by approximately USD 2 million, landed it in second place. The reason seems to be because most Chinese shoots were centered on web dramas and TV dramas that cost relatively less. It should be noted that the number of Chinese films shooting on-location in Korea has been declining since the rise of the THAAD issue that emerged in July 2016. When assessed by genre, as observed in 2015, shooting of web dramas is increasing due to changes in the media environment that are moving towards smart phones and

tablet PCs. Films by Japan and the European countries of Germany and Denmark were mainly focused on documentaries.

Korea's performance in film service exports showed remarkable growth in 2016. Even so, the heavy reliance on the Chinese market in the technology service sector is alarming. Location shooting results have also grown overall but the fluctuation is severe depending on one or two Hollywood blockbusters every year and it is too early to say that the market has reached a stable period. Moreover, the changes in service exports need continuous monitoring while the THAAD issue and Chinese government's restrictions on Korean-related business remain unsolved.

<Table 56> Contract amount for foreign films filmed in Korea by country, 2014-2016

(Unit : USD)

Region	Country	2014		2015		2016	
		Amount (USD)	Share	Amount (USD)	Share	Amount (USD)	Share
North America	US	17,208,986	75.9%	182,979	3.8%	16,984,196	91.3%
	Canada	-	-	2,872	0.06%	-	-
Asia	China	4,651,256	20.5%	3,677,395	77.4%	1,562,207	8.5%
	Chinese speaking countries*	102,780	0.5%	22,920	0.52	9,614	0.052%
	Vietnam	402,273	1.8%	6,120	0.12%	-	-
	Thailand	58,297	0.3%	26,860	0.6%	13,898	0.074%
	Japan	17,428	0.1%	772,364	16.2%	12,708	0.07%
	Others	52,114	0.22%	-	-	-	-
Europe	France	70,243	0.3%	-	-	-	-
	Others	92,636	0.4%	61,206	1.28%	765	0.004%
Oceania and Latin AMerica	Others	5,130	0.02%	1,181	0.02%	-	-
Total		22,661,143	100.0%	4,753,897	100.0%	18,583,388	100.0%

*Source: Seoul Film Commission, Busan Film Commission and Korean Film Council

F. Nationwide Theaters and Multiplexes²¹⁾

The number of national theaters increased from 388 to 417, representing a 7.5% increase in 2016. 151 new screens were added in 2016 from the previous year, bringing the total number of screens to 2,575. The total number of seats was 421,036 with 22,334 more added since 2015. The screens equipped for 3D, IMAX and 4D

totalled 965, 18 and 41 respectively, to have these 'special screens' account for 39.8% of all screens.

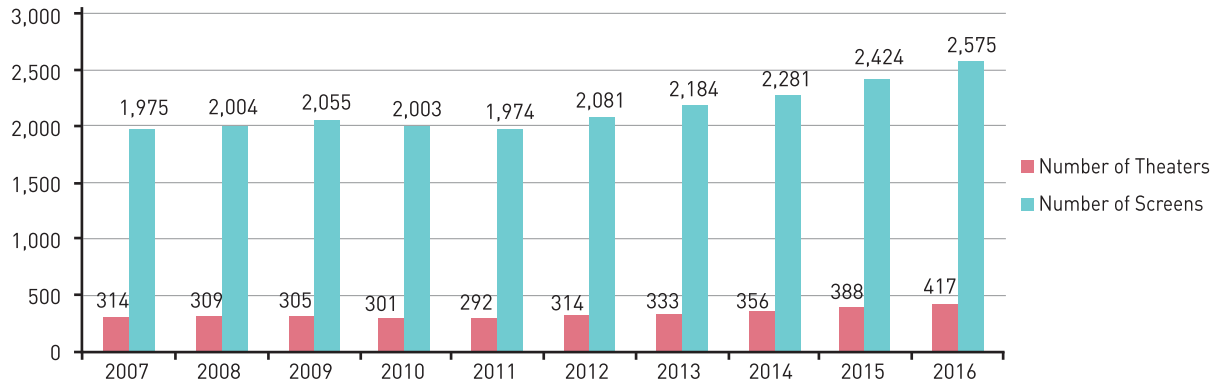
Among a total of 29 new theaters added nationwide, Gyeonggi-do showed the highest increase with 7 new theaters, followed by Gyeongsangnam-do with 5 and

<Table 57> Number of theaters and screens nationwide by year

Year	Admissions(in 10,000)	No. of Theaters	No. of Screens	No. of Seats
2007	15,877	314	1,975	365,034
2008	15,083	309	2,004	362,657
2009	15,696	305	2,055	360,796
2010	14,681	301	2,003	349,640
2011	15,979	292	1,974	341,905
2012	19,489	314	2,081	358,659
2013	21,335	333	2,184	349,669
2014	21,506	356	2,281	372,361
2015	21,729	388	2,424	398,702
2016	21,702	417	2,575	421,036

21. The Korean Film Council aggregates data for multiplex theaters as follows: 1) Nationwide multiplex chains (such as CJ CGV, Lotte Cinema, and Megabox) managed directly, or outsourced theaters of these chains; 2) Other theaters with more than 7 screens.

<Figure 11> Number of theaters and screens by year



Gangwon-do with 4. 7 of the newly opened theaters are ‘Small Theaters,’²²⁾ ‘Cheorwon Small Cinema Tturu’ in Cheorwon, Gangwon-do, ‘Garam Cinema’ in Samcheok, Gangwon-do, ‘Rainbow Yeongdong Cinema’ in Yeongdong, Chungcheongbuk-do, ‘Gibyeolpo Cinema’

in Seocheon, Chungcheongnam-do, ‘Yeongyang Small Cinema,’Yeongyang, Gyeongsangbuk-do, ‘Bomulseom Cinema’ in Namhae, Gyeongsangnam-do, and ‘Goheung Small Cinema’ in Goheung, Jeollanam-do.

<Table 58> Number of theaters and screens in 2016

Region	Number of Theaters				Number of Screens				Number of Seats			
	2015	2016	Number of Increase	YoY Growth Rate (%)	2015	2016	Number of Increase	YoY Growth Rate (%)	2015	2016	Number of Increase	YoY Growth Rate (%)
Seoul	81	83	2	2.5%	511	533	22	4.3%	89,160	92,300	3,140	3.5%
Busan	28	27	-1	-3.6%	202	200	-2	-1.0%	36,702	38,386	1,684	4.6%
Daegu	21	23	2	9.5%	131	143	12	9.2%	20,975	22,888	1,913	9.1%
Incheon	21	23	2	9.5%	130	146	16	12.3%	21,394	23,697	2,303	10.8%
Gwangju	14	13	-1	-7.1%	107	106	-1	-0.9%	18,279	18,029	-250	-1.4%
Daejeon	10	10	0	0.0%	66	66	0	0.0%	12,137	11,692	-445	-3.7%
Ulsan	6	6	0	0.0%	38	38	0	0.0%	6,242	6,320	78	1.2%
Gyeonggi	85	92	7	8.2%	536	588	52	9.7%	84,974	92,370	7,396	8.7%
Gangwon	13	17	4	30.8%	69	83	14	20.3%	10,390	12,010	1,620	15.6%
Chungcheongbuk-do	11	13	2	18.2%	84	94	10	11.9%	14,641	16,020	1,379	9.4%
Chungcheongnam-do	16	18	2	12.5%	97	95	-2	-2.1%	13,409	13,061	-348	-2.6%
Jeollabuk-do	22	24	2	9.1%	99	107	8	8.1%	14,778	15,702	924	6.3%
Jeollanam-do	12	12	0	0.0%	73	68	-5	-6.8%	10,276	9,588	-688	-6.7%
Gyeongsangbuk-do	18	21	3	16.7%	99	110	11	11.1%	15,963	17,497	1,534	9.6%
Gyeongsangnam-do	22	27	5	22.7%	137	153	16	11.7%	23,044	25,085	2,041	8.9%
Jeju	6	6	0	0.0%	33	33	0	0.0%	4,495	4,548	53	1.2%
Sejong	2	2	0	0.0%	12	12	0	0.0%	1,843	1,843	0	0.0%
Total	388	417	29	7.5%	2,424	2,575	151	6.2%	398,702	421,036	22,334	5.6%

22. Refers to small theaters (with 2 screens of around 50 seats) supported by the by the Ministry of Culture, Sports, and Tourism. According to its policy, the Ministry is promoting the construction of these theaters in municipalities with no theaters, enabling the viewing of new films released nationwide.

As of 2016, 335 out of 417 (80.3%) theaters nationwide were multiplexes.²³⁾ Multiplexes brought in 98% of total viewers and the 98.8% of total revenue.

The three major multiplex chains in Korea are CJ CGV (henceforth CGV), Lotte Cinema and Megabox. The total number of theaters belonging to these chains was 330, representing an 79.1% share of the total number of theaters across the country. The number of screens at multiplex theaters is 2,379, showing a 92.4% share out of the total number of screens (2,575). The number of multiplex theaters run by those outside the top three chains has been continuously decreasing, currently counting 49 screens in 5 theaters nationwide.

The number of screens per 100,000 Korean citizen in 2016 was 5, a 0.3 increase from 4.7 in 2015. When calculated by region, Gwangju had the most with 7.2 per

100,000 people, followed by Chungcheongbuk-do with 5.9. 72 municipalities had no theaters or screens; 1 in Seoul, 6 in Busan, 2 in Daegu, 1 in Incheon, 1 in Gwangju, 1 in Daejeon, 1 in Ulsan, 5 in Gyeonggi-do, 7 in Gangwon-do, 6 in Chungcheongbuk-do, 5 in Chungcheongnam-do, 16 in Jeollanam-do, 13 in Gyeongsangbuk-do, and 7 in Gyeongsangnam-do.

The average of screens per 100,000 people in cities nationwide or each municipality under these cities were calculated by each population size. In regions with more than 300,000 people, the average of screens per 100,000 people were similar with an average of 5 or higher. However, regions with less than 300,000 people showed a lower number of average screens. Regions with more than 1 million in population showed an average of 5.2, and regions with between 800,000 and 1 million showed 5.1. Regions with population between

<Table 59> Share of multiplexes in 2016

Region	Number of Theaters			Number of Screens			Number of viewers (1,000)			Revenue of Theaters (KRW 1,000)		
	Total Number of Theaters	Number of Multiplex Theaters	Share of Multiplexes(%)	Total Number of Screens	Number of Screens at Multiplexes	Share of Multiplexes(%)	Total Viewers	Number of Viewers at Multiplexes	Share of Multiplexes(%)	Total Revenue	Revenue for Multiplexes	Share of Multiplexes(%)
Seoul	83	66	79.5%	533	510	95.7%	58,576	57,541	98.2%	490,442,587	483,841,214	98.7%
Busan	27	24	88.9%	200	192	96.0%	16,460	16,250	98.7%	131,664,156	130,419,846	99.1%
Daegu	23	19	82.6%	143	139	97.2%	11,959	11,748	98.2%	96,536,233	95,455,388	98.9%
Incheon	23	18	78.3%	146	133	91.1%	10,905	10,476	96.1%	87,514,372	85,265,461	97.4%
Gwangju	13	12	92.3%	106	105	99.1%	7,940	7,913	99.7%	59,940,246	59,749,206	99.7%
Daejeon	10	9	90.0%	66	65	98.5%	7,653	7,584	99.1%	61,623,580	61,230,438	99.4%
Ulsan	6	4	66.7%	38	35	92.1%	4,704	4,376	93.0%	37,938,094	36,032,734	95.0%
Gyeonggi	92	85	92.4%	588	578	98.3%	49,701	49,556	99.7%	402,263,728	401,464,736	99.8%
Gangwon	17	9	52.9%	83	68	81.9%	5,049	4,597	91.0%	39,542,718	37,267,697	94.2%
Chungcheongbuk-do	13	12	92.3%	94	92	97.9%	5,657	5,637	99.6%	43,429,575	43,325,391	99.8%
Chungcheongnam-do	18	11	61.1%	95	82	86.3%	6,927	6,764	97.6%	53,344,519	52,358,692	98.2%
Jeollabuk-do	24	11	45.8%	107	76	71.0%	6,713	6,002	89.4%	50,856,467	47,161,655	92.7%
Jeollanam-do	12	9	75.0%	68	63	92.6%	4,143	3,968	95.8%	28,602,387	27,636,824	96.6%
Gyeongsangbuk-do	21	17	81.0%	110	105	95.5%	6,360	6,261	98.4%	49,647,676	49,097,312	98.9%
Gyeongsangnam-do	27	22	81.5%	153	141	92.2%	11,168	10,875	97.4%	86,384,950	84,540,633	97.9%
Jeju	6	5	83.3%	33	32	97.0%	2,226	2,226	100.0%	16,666,667	16,666,667	100.0%
Sejong	2	2	100.0%	12	12	100.0%	875	875	100.0%	6,776,160	6,776,160	100.0%
Total	417	335	80.3%	2,575	2,428	94.3%	217,024	212,652	98.0%	1,743,183,124	1,718,227,616	98.6%

* Number of theaters and screens are based on data from the Korean Film Council's own research conducted in December 2016. They may differ from the number of screens collected on KOBIS.
* Number of viewers and revenue are based on KOBIS.

23. The Korean Film Council aggregates data for multiplex theaters as follows: 1) Nationwide multiplex chains (such as CJ CGV, Lotte Cinema, and Megabox) managed directly, or outsourced theaters of these chains; 2) Other theaters with more than 7 screens.

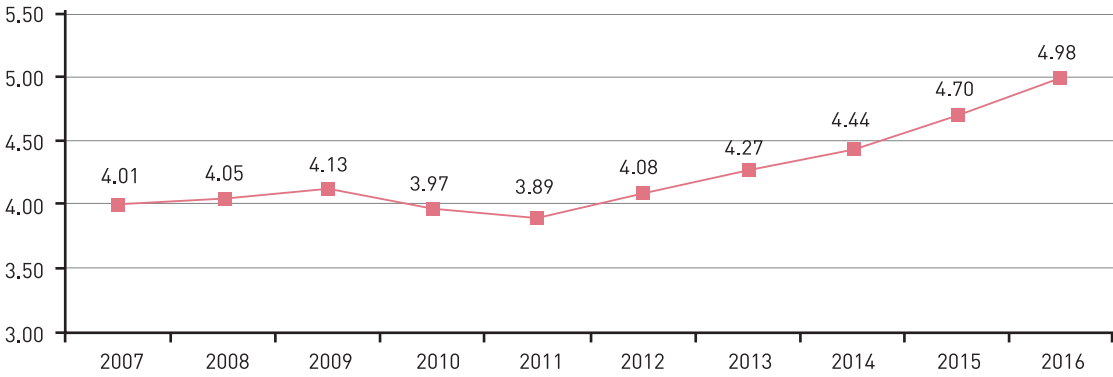
200,000 and 300,000 showed an average of 4.7, between 100,000 and 200,000 showed 3.8, and less than 50,000 showed 2.9, exhibiting a decreasing trend in the

average number of screens per 100,000 people as the number of population decreases.

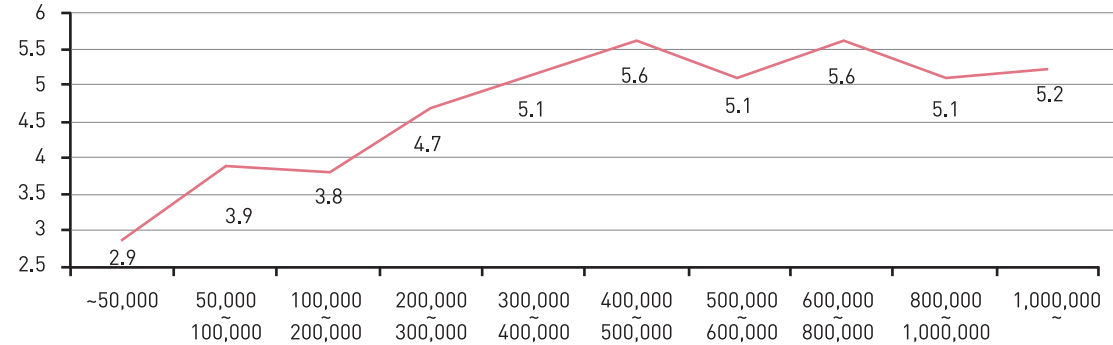
<Table 60> Number of multiplexes run by the major 3 chains in 2016

Category			2015			2016												
			No. of Theaters	No. of Screens	No. of Seats	No. of Theaters	No. of Increase	YoY Growth Rat(%)	No. of Screens	No. of Increase	YoY Growth Rat(%)	No. of Seats	No. of Increase	YoY Growth Rat(%)	Form of Management			
															Direct Management	Percentage	Outsourced Theaters	Percentage
Multiplex	3 Major Chains	CGV	130	975	162,254	133	3	2.3%	996	21	2.2%	165,293	7,058	1.9%	93	70%	40	30%
		Lotte Cinema	107	753	127,908	112	5	4.7%	793	40	5.3%	134,054	6,146	4.8%	89	79%	23	21%
		Megabox	74	507	78,696	85	11	14.9%	590	83	16.4%	90,189	11,493	14.6%	34	40%	51	60%
		Subtotal	311	2,235	368,858	330	19	6.1%	2,379	144	6.4%	389,536	20,678	5.6%	216	65%	114	35%
	Other Multiplex	6	57	10,693	5	-1	-16.7%	49	-8	-14.0%	8,975	-1,718	-16.1%	-	-	-	-	
	Subtotal	317	2,292	379,551	335	18	5.7%	2,428	136	5.9%	398,511	18,960	5.0%	-	-	-	-	
Non-Multiplex			71	132	19,151	82	1	15.5%	147	15	11.4%	22,525	3,373	17.6%	-	-	-	-
Total (number of theater)			388	2,424	398,702	417	29	7.5%	2,575	151	6.2%	421,036	22,333	5.6%	-	-	-	-

<Figure 12> Number of screens per 100,000 people, 2007-2016



<Figure 13> Average number of screens per 100,000 people in each municipality in 2016



* The result reflects the number of screens per 100,000 people in Ulsan excluding Ulju-gun and in Incheon excluding Ongjin-gun and Ganghwa-gun. While these municipalities are part of a city, since they have a separate living zone from the metropolitan area, their data has been calculated separately.

G. Production Costs and Returns on Investment of Korean Films

1) Production cost of Korean films released in theaters

In the <2015 Status and Insight>, the production cost report was based on all Korean films released in the respective year. However, as an increasing number of on-line videos targeting the IPTV/VOD market began to be released in the theaters as a formality in order to advertise themselves as a 'theater released film', more films declined to engage in the survey and often it was difficult to assess their net production and marketing fee per film due to the nature of 'online video'. Therefore

from this year the report is limited to a total of 178²⁴⁾ films with confirmed screening sessions of 40²⁵⁾ or more.

Accordingly, the total sum of net production and marketing cost for the 178 films surveyed this year was KRW 426.4 billion, and an average total production cost per film was KRW 2.4 billion.

<Table 61> Overview of production cost research for Korean films in 2016

- From the 302 Korean films newly released in the theaters from January 1 to December 31, 2016, a total of 178 films shown more than 40 times during the year were selected. Via emails and phone calls to the production house or investment and distribution companies of these films, a full survey was conducted on net production cost and total P&A cost of each film.
- Net production and P&A costs for 173 films were obtained while 5 films have not answered (response rate: 97.2%)
- These 5 unanswered films are produced and distributed by the same production and it is assumed they are targeted as IPTV VODs. Data from 2015 survey was used for these unresponsive films, based on the production cost of films produced and distributed in a similar manner by the same production house.

<Table 62> Annual average production costs for Korean films released in theaters

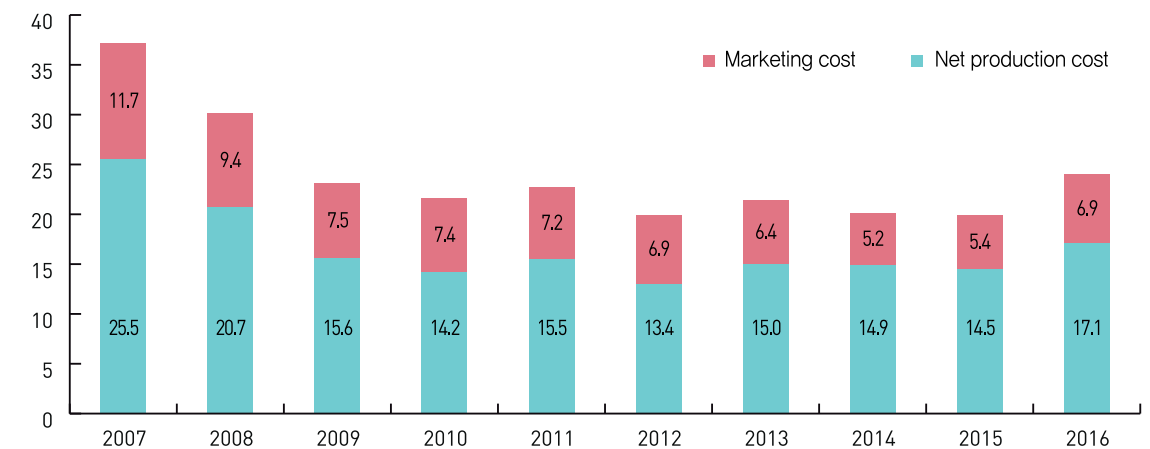
Year	No. of films	Net production cost(A)		Marketing cost (P&A)(B)		Total Cost (A+B)	
		Average net production cost (KRW 100 million)	Share (%)	Average marketing cost (KRW 100 million)	Share (%)	Average marketing cost (KRW 100 million)	
2007	112	25.5	68.5	11.7	31.5	37.2	
2008	108	20.7	68.8	9.4	31.2	30.1	
2009	118	15.6	67.5	7.5	32.5	23.1	
2010	140	14.2	65.7	7.4	34.3	21.6	
2011	150	15.5	68.3	7.2	31.7	22.7	
2012	174	13.4	66.0	6.9	34.0	20.3	
2013	182	15.0	70.1	6.4	29.9	21.4	
2014	217	14.9	74.1	5.2	25.9	20.1	
2015	232	14.5	72.9	5.4	27.1	19.9	
2016	178	17.1	71.3	6.9	28.8	24.0	

*Starting from 2016, full survey was conducted on Korean films released in the theaters that were screened 40 times or more.

24. Films screened less than 40 times in the theaters during the year were eliminated. Although screened less than 40 times, if the film is recognized as an independent or art film by submitting an independent or art film status request to the Korean Film Council, it was included in the database.

25. The standard was set at 40 times, which is equivalent to a case where the film is shown all day for a week in at least 1 theater.

<Figure 14> Breakdown of average total production costs for Korean films released in theaters by year



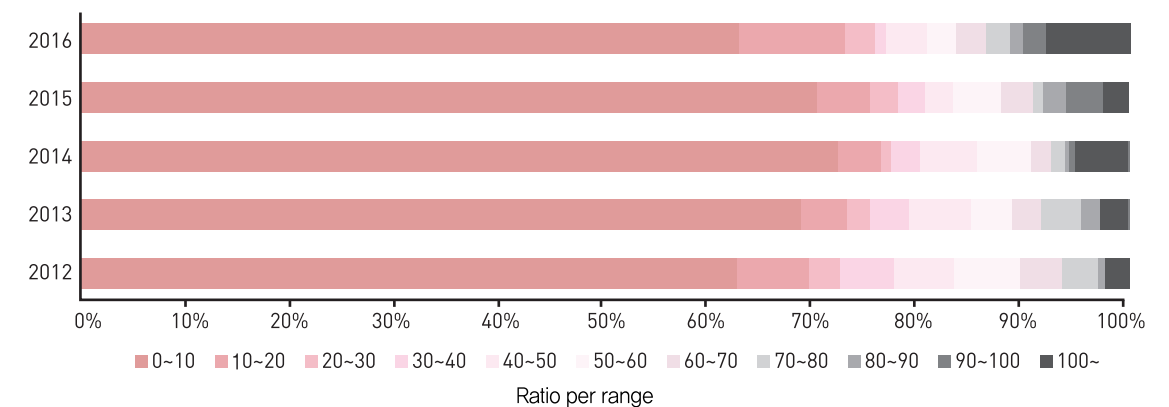
From the number of films in different production cost ranges, the increase in number of films costing more than KRW 10 billion is most notable. Out of the 178 films surveyed, number of films with a total production cost of KRW 8 billion or more was 20 in 2016 which is similar to 2015 when it was 19, yet the number of films costing

more than KRW 10 billion (14) has drastically increased from the previous year (6) while the films in KRW 8~10 billion range have relatively decreased. The numbers reflect the trend of commercial films with high budgets and overall increases in theater distribution costs.

<Table 63> Number of Korean films released in theaters by annual total production cost range

Category (KRW 100 million)		0~10	10~20	20~30	30~40	40~50	50~60	60~70	70~80	80~90	90~100	100~	Total
2012	No. of films	109	12	5	9	10	11	7	6	1	0	4	174
	Share	62.6%	6.9%	2.9%	5.2%	5.7%	6.3%	4.0%	3.5%	0.6%	0.0%	2.3%	100%
2013	No. of films	125	8	4	7	11	7	5	7	0	3	5	182
	Share	68.7%	4.4%	2.2%	3.8%	6.0%	3.8%	2.8%	3.8%	0%	1.7%	2.8%	100%
2014	No. of films	157	9	2	6	12	11	4	3	1	1	11	217
	Share	72.3%	4.1%	0.9%	2.8%	5.5%	5.1%	1.8%	1.4%	0.5%	0.5%	5.1%	100%
2015	No. of films	162	12	6	7	6	11	7	2	5	8	6	232
	Share	69.8%	5.2%	2.6%	3.0%	2.6%	4.7%	3.0%	0.9%	2.2%	3.4%	2.6%	100
2016	No. of films	112	18	5	2	7	5	5	4	2	4	14	178
	Share	62.9%	10.1%	2.8%	1.1%	3.9%	2.8%	2.8%	2.3%	1.1%	2.3%	7.9%	100%

<Figure 15> Ratio of Korean films released in theaters by annual total production cost range



2) Production cost of 'commercial' Korean films

Until 2015, cost and sales surveys were conducted by defining Korean films with a total production cost of KRW 1 billion or more or that were released in a maximum of 100 theaters as 'commercial' Korean films to be assessed for ROI. However such criteria does not reflect recent increases in the number of theaters, more films being released in more locations, and the rise in production costs. As a result, it was criticized for excessively expanding the realm of 'commercial films that are subject to financial investments'. Thus from 2016, a profitability analysis on group of films that were released in a maximum of 300 theaters or with net production cost of KRW 3 billion or more has been added. In this report, the group of commercial films following the criteria used until 2015 with net production cost of KRW 1 bil-

lion or more, or was released in a maximum of 100 theaters is referred to as 'overall commercial film group' and a group of commercial films with net production costs of KRW 3 billion or more, or released in a maximum of 300 theaters is referred to as the 'core commercial film group', to extract the core commercial film group with higher commercial features and analyze their profitability.

The average production cost of 82 overall Korean commercial films from 2016 was KRW 4.55 billion, and KRW 6 billion for 59 films from the core commercial film group. Total production cost amounts differ greatly within the same group and it is difficult to conclude whether the production cost is increasing or decreasing

<Table 64> Annual average production costs for Korean commercial films released in theaters

Year		No. of films	Net production cost(A)		Marketing cost (P&A)(B)		Total Cost (A+B)
			Share(%)	Average marketing cost (KRW 100 million)	Share(%)	Share(%)	Average marketing cost (KRW 100 million)
2012		70	30.4	65.0	16.4	35.0	46.8
2013		63	40.4	40.4	17.0	29.6	57.4
2014		67	36.0	69.9	15.4	29.9	51.5
2015	Overall commercial films	70	37.6	69.2	16.7	30.8	54.3
	Core commercial films	55	45.4	69.1	20.3	30.9	65.7
2016	Overall commercial films	82	32.4	71.2	13.1	28.8	45.5
	Core commercial films	59	42.9	71.5	17.1	28.5	60.0

* Investment profitability analysis is usually conducted on commercial films but from 2014 the survey has eliminated films that may cause significant error in the profitability analysis (international co-production, live performances, etc). Therefore data from 2014 and after has been modified based on commercial films categorized per profitability analysis criteria.
** Average production cost of 2015 and 2016 have been calculated separately for overall commercial films (released on more than 100 screens or total production cost of 1 billion or more) and core commercial films (released in more than 300 screens or total production cost of 3 billion or more) in order to observe the trends in both previous year's investment profitability analysis criteria and the newly adopted criteria.

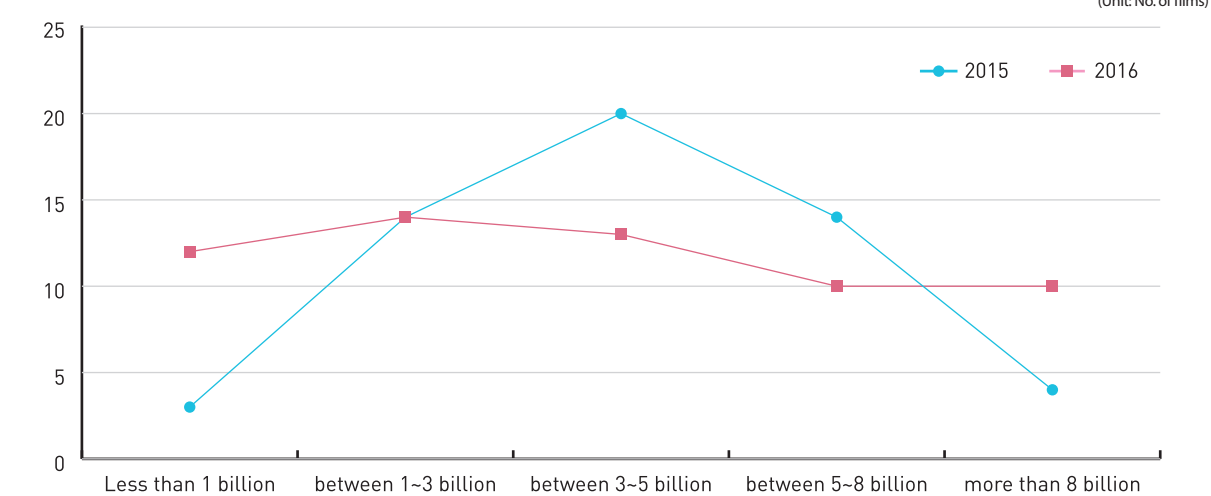
<Table 65> Comparison in number of core Korean commercial films produced in 2015-2016 by average net production cost range

Category	2015		2016		Remarks
	No. of films	Average net production cost	No. of films	Average net production cost	
< 8 billion	4	13.3 billion	10	10.4 billion	
5 billion ~ 8 billion	14	6.3 billion	10	6.5 billion	
3 billion ~ 5 billion	20	3.8 billion	13	3.9 billion	
1 billion ~ 3 billion	14	2.2 billion	14	2 billion	
1 billion <	3	520 million	12	440 million	
Total	55	4.54 billion	59	4.29 billion	

based on the average total production cost only. <Table 66> and <Figure 16> shows the number of overall commercial films from 2015 and 2016 based on their net production cost range. The result shows films produced

with less than KRW 1 billion and more than KRW 8 billion have increased greatly while the number of films costing KRW 1~8 billion have fallen.

<Figure 16> Comparison in number of core Korean commercial films produced in 2015-2016 by average net production cost range



3) Investment profitability of Korean commercial films

<Table 66> Estimation method for ROI of Korean commercial films in 2016

In the beginning of every year, <Status and Insight> documents return on investment of Korean films from the previous year. The analysis is limited to films that are commercially produced and distributed based on the film's net production and P&A costs obtained through the production cost survey conducted on theater released films. Based

on the simple survey on production cost and box office figures from the KOBIS database, other expenses including service fees and incentives as well as box office sales confirmed from previous year's ROI analysis on Korean film are applied in order to estimate the total return on investment.

Estimated analysis shows return on investment of overall commercial films and the core commercial film group are 8.8% and 13.8% respectively²⁶⁾. The average return rate of the core commercial film group com-

posed of films shown in maximum of 300 screens was particularly high. Also out of 82 overall commercial films, 23% or 19 films have reached their BEP, while out of 59 core commercial films, 30% or 18 films have made

26. The profitability is calculated based on sales amounts using 2015 ROI analysis, based on the net production and P&A amounts collected from telephone and email surveys conducted on the films' distributors or production studios. Therefore the numbers may differ from the official 2016 ROI analysis (to be completed in early 2018) based on the actual audit reports and in-depth survey.

BEP. In total 7 films have exceeded a 100% return rate.

Return on investment by production cost range shows that 8 out of 10 films that cost more than KRW 8 billion reached their BEP, and the average return rate of these 10 films was an outstanding 53.9%. Only 2 out of 10 films produced with KRW 5~8 billion reached BEP with a low total average return rate of 1.1%. Average return by range of films with net production cost of KRW 5 billion or less all yielded negative results. In particular, av-

erage return rate of films in KRW 1 billion ~ 3 billion range was -32%, showing the lowest results.

Analysis on total production costs by range also tells a similar story. Overall, the average return rate of the highest production cost range is overwhelmingly high with a large number of films exceeding their BEP. ROI also drops with the decrease in production costs while the average return rate in the lowest range of KRW 1 billion or less is higher than the range above it, although it still shows a deficit.

<Table 67> ROI of Korean films, 2007-2016

(Unit: KRW 1 million)

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
										Overall commercial film	Core commercial film
Total revenue	266,927	200,839	245,821	263,449	293,916	438,458	501,783	424,385	454,884	405,943	402,714
Total cost/(Total production cost)	448,813	355,667	282,945	296,001	344,700	386,873	439,622	398,384	439,945	(373,026)	(353,982)
Gross profit	-181,886	-154,827	-37,123	-32,552	-50,784	51,585	62,161	26,001	14,939	32,917	48,733
ROI	-40.5%	-43.5%	-13.1%	-11.0%	-14.7%	13.3%	14.1%	6.5%	3.4%	8.8%	13.8%

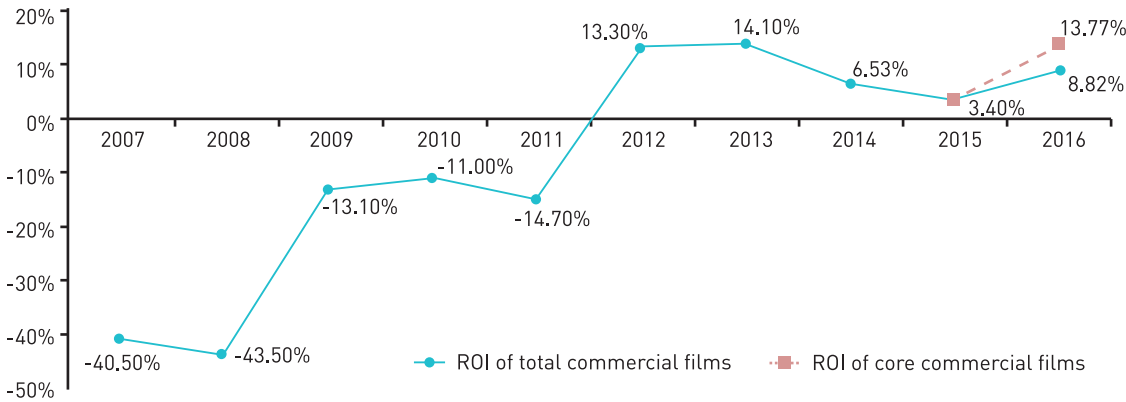
* ROI of Korean films during 2007~2009 is based on all Korean films released in theaters while data from 2010~2016 is limited to Korean films released in theaters that are conventionally produced and distributed with commercial initiatives.

** Films produced and distributed with commercial initiatives are categorized as 'commercial films' and during 2010~2015 films in this category were produced with less than KRW 1 billion in total production costs and released on less than 100 screens. From 2016, among the previous commercial films, those released on a maximum of 300 screens or produced with net costs of more than KRW 3 billion were separately categorized as 'core commercial films'.

*** ROI of Korea films during the 2007~2015 period is based on the 'Analysis on Return on Investment of Korean Films' report. Total sales amounts and total cost amounts from 2007~2015 include prepaid expenses (incentives, various service fees) while 2016 data does not include such expenses, while 2014 Korean film ROI refers to the 2014 Korean Film Industry Status and Insight data.

**** According to the 2015 'Analysis on Return on Investment of Korean Films', the total sum of expenses in 2015 was 14.4% of total sales.

<Figure 17> Annual trend: ROI of Korean films



<Table 68> ROI of Korean commercial films released in theaters in 2016 (estimates)

Contents	Overall commercial films	Core commercial films	Remarks
No. of films subject to profitability analysis	82	59	
Total production cost (A)	Average net production cost	KRW 3.24 billion	KRW 4.29 billion
	Average marketing cost	KRW 1.31 billion	KRW 1.71 billion
	Total	KRW 4.55 billion	KRW 6 billion
Average total revenue (B)	KRW 4.95 billion	KRW 6.83 billion	
Average amount of return (C= B-A)	KRW 400 million	830 million	
Average return	8.8%	13.8%	
No. of films exceeding BEP	19	18	
Ratio of films exceeding BEP	23.2%	30.5%	
No. of films exceeding 50% return	12	12	Includes the number of films over the 100% return
Ratio of films exceeding 50% return	14.6%	20.3%	Includes the ratio over the 100% return
No. of films exceeding 100% return	7	7	
Ratio of films exceeding 100% return	8.5%	11.9%	
No. of films below -50% return	46	27	Includes the number of films below -90% return
Ratio. of films below -50% return	56.1%	45.8%	Includes the number of films below -90% return
No. of films below -90% return	12	5	
Ratio. of films below -90% return	14.6%	8.5%	

<Table 69> ROI of Korean films by net production cost range, 2016 (estimates)

Contents	Overall commercial films			Core commercial films			Remarks
	No. of films	No. of films exceeding BEP	Average ROI	No. of films	No. of films exceeding BEP	Average ROI	
KRW 8 billion and above	10	8	53.9%	10	8	53.9%	
KRW 5 billion~KRW 8 billion	10	2	1.1%	10	2	1.1%	
KRW 3 billion~KRW 5 billion	13	3	-10.6%	13	3	-10.6%	
KRW 1 billion~KRW 3 billion	19	2	-41.2%	14	2	-32.0%	
Less than KRW 1 billion	30	4	-45.6%	12	3	-16.0%	
Total	82	19	8.8%	59	18	13.8%	

<Table 70> ROI of Korean films by total production cost range, 2016 (estimates)

Contents	Overall commercial films			Core commercial films			Remarks
	No. of films	No. of films exceeding BEP	Average ROI	No. of films	No. of films exceeding BEP	Average ROI	
KRW 10 billion and above	12	9	53.3%	12	9	53.3%	
KRW 8 billion ~ KRW 10 billion	6	1	6.7%	6	1	6.7%	
KRW 5 billion ~ KRW 8 billion	13	3	-19.3%	13	3	-19.3%	
KRW 3 billion ~ KRW 5 billion	9	1	-27.7%	9	1	-27.7%	
KRW 1 billion ~ KRW 3 billion	22	2	-57.4%	14	2	-42.4%	
Less than KRW 1 billion	20	3	-55.3%	5	2	-1.3%	
Total	82	19	8.8%	59	18	13.8%	

Ever since the ROI of Korean films has returned to profitability since 2012, the trend has continued through to 2016. This coincides with a period when major investment and distribution companies began to equip themselves with packages of screenwriters, directors, producers and lead actors in the Korean market in addition to their financial and distribution abilities. Since 2012, films made with large budgets have become stable products with great potential for high profits and investment recoupment. Accordingly, institutional investment or public agencies with managed assets such as Korean Teachers' Credit Union, Korea Post and KOBACO, are increasing direct investment into investment and distribution companies. Banks including IBK and KDB are also known to be actively involved in film and TV drama investment as they utilize their company's own assets and internal or subsidiary asset management entities. Moreover, Hollywood investment

and distribution companies that follow the business model of 'local film production investment' have successfully settled in the Korean market by recruiting skilled local producers. Meanwhile, ROI of low to medium budget films have been suffering a great loss. From a financial investor's point of view, this may not be a serious problem. Overall, the ROI of the Korean film scene is quite high and with appropriate information and well negotiated deals with major film investors, one can make selective investment in high budget films with an expected high return. Production funds seeking ROI will begin to turn away from low to medium budget films. These films have provided diversity and innovation to Korean cinema as they do not have to satisfy the taste of mass public. Because they will no longer be supported by the market, their future now lies in the hands of public policy.

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